

FAMILY FOUNDATIONS: BALANCING FAMILY AND SOCIAL IMPACT

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This dissertation examines perceptions of purpose in family foundations and the impact of differences in those perceptions on family foundation board composition/function and on grant making activities. One of the primary decisions facing the donor who creates a private foundation relates to governance. Here, the donor arguably faces a deeply personal choice: to what extent should the donor's family be involved? Related to this choice is the question of the degree of focus on the mission-related aspects of the organization or the family-related aspects of the organization. This dissertation explores whether family foundation trustees view family purposes and social impact purposes as meaningful for the foundation they represent and whether trustees differ with regard to the degree to which they emphasize one or the other. If family foundation trustees do meaningfully differ in this regard, what difference does an emphasis on family or social impact purposes make on board composition, grant making focus and stability, similarity to one's peers, and other factors? Through a combination of survey, interview, and review of publicly available material, this dissertation explores this question for a sample of family foundation trustees in two Midwestern states.

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CHAPTER ONE

INTRODUCTION

This dissertation examines the bases for differences in family foundation board composition and function and the impact of those differences on grantmaking activities.

Wealthy individuals have (at least) three options upon their demise or other disposition of their estates (such as making arrangements for preservation of their assets within the family). For example, they may distribute their assets among family members through bequests or inter vivos gifts.¹ They may also (or instead) rely on a family office to (among other things) preserve family wealth or maintain family unity (Fernandez-Moya & Castro-Balaguer, 2011, p. 88). Finally, they may devote some or all of their estates to charitable purposes (Baker, 2009) if they are so inclined: Ostrower (1995, p. 17ff.) offers several common mechanisms through which persons of wealth develop that inclination, including family tradition, marriage to a philanthropically inclined spouse, business networks, religious tradition, or current involvement with a particular nonprofit organization. Such individuals face still further options: they may give away their wealth personally, they may rely upon an existing institution to do so (as for example through a donor-advised fund at a community foundation), or they may create a new institution, such as a private foundation. Fleishman (2007, p. 40) notes that in the last case, “...the most deep-seated personal qualities of the founders come into play.”²

¹ Angel (2008, p. 80) notes that “[w]ith each act of [intra-family] giving, or not giving, a family’s values and ideologies are transferred from one generation to the next.”

² Stone also notes that estate planning can be a motive for creation of a family foundation, but further asserts that “[i]n these cases, the foundation invariably is a serious disappointment to grantmaker and grantseeker alike” (Stone D. , 1997, p. 37).

If the donor decides to create a family foundation, he or she may seek to pursue family goals (such as transmission of philanthropic values to the next generation) as well as social impact goals (such as ending homelessness).

One of the primary decisions facing the donor who creates a private foundation relates to governance. Here, the donor arguably faces a still deeply personal choice: to what extent should the donor's family be involved? Appointing family members to the board means that the foundation could be considered a family foundation. Although no formal legal definition of a family foundation exists, they are defined by Nason (1977, p. 3) as "...vehicles for continuing the personal philanthropy of the donor" and by Gersick (2006, p. 47) as "...grantmaking institution[s] whose policies and practices are guided by donors and/or relatives of donors."³ In fact, Gersick and colleague (2004, pp. 74, emphasis added) note that "[t]he *most important* initial choice was whether the founder involved other family members in meaningful ways". In fact, family foundations are among the only nonprofit⁴ institutions in which continued involvement of a donor's family is commonly accepted and even expected.

As noted by Frumkin, a family foundation differs from other private grantmaking foundations in part because "...its goals include both grantmaking and the enactment and inculcation of values across generations" (2006, p. 239). Along similar lines, Remmer (2005, p. 84) cites several reasons that families become involved together in giving, including "Pass[ing] on philanthropic values and a spirit of giving to the next generation...Establish[ing] or continu[ing] a family legacy...[and] shar[ing] personal philanthropic interests and experiences." Finally, Silberstein (2009, p. 34f.) notes:

³ Similarly, Esposito (2010, p. 11) defines the family foundation as "...a private foundation where the donor and relatives play an active role in the governance of the foundation."

⁴ Ward (1987, p. 9) notes in the context of family business studies that a major governance activity of any family firm is "...ensur[ing] that the family's interests are taken care of along with those of the business."

Family foundations provide opportunities for older and younger generations to work together, to understand each other's philanthropic values and visions, and to forge connections between families and their communities, whether local or global. Family foundations can help ground the family philanthropy and provide a mechanism for transmission of the values and visions of the older to younger generations.

Among practitioners, Blanchard (2008, p. 2) asserts that "...family foundations have two purposes (or goals): social impact and family unity." In a summary of donor intentions for creating family foundations, Flather et al. (1997, p. 80) note that donors create family foundations not only for "...formalizing charitable giving..." but also for "[t]eaching subsequent generations of the family to carry on the family's tradition of giving,...[p]roviding a[n]...opportunity for parents to reinforce the value of philanthropic activity and the responsibilities of privilege...[and]...[p]romoting family unity...".

Also critical to the donor's decisions on governance is the degree of focus on the social impact-related aspects of the organization or the family-related aspects of the organization. This dissertation will explore whether and to what degree family foundations differ in terms of whether they seek to focus more on family-related purposes or social impact-related purposes and what implications that relative emphasis entails for board composition, grantmaking focus and stability, similarity to one's peers, and other factors.

In addition to the items noted above, family purposes might include "...ensur[ing] satisfying family relationships over many generations..." (Esposito, 2001, p. 25), or "...a unified [family] mission, building family coherence, family strength, and public propagation of the family's *values*" (Williams & Preisser, 2005, p. 6). Ylvisaker (1999, pp. 373, emendation in original) asserts that "Well-executed, a family [foundation] can achieve the cohesion that comes with a sense of higher purpose and cooperative effort." As an example of a foundation created at least in part to serve these purposes, consider the Weyerhaeuser Family Foundation, which "...used philanthropy to preserve and extend core values and a larger sense of family..." and for

which "[p]reparing future generations...has always been at the center of the foundation's purpose" (Flather, Phillips, & Whitney, 1997, p. 29), or the Marion I. and Henry J. Knott Foundation, for which one of the founders' explicit purposes was "...to preserve family unity..." (Ylvisaker, 1991, p. 2) and which still allows only direct descendants or their spouses to be eligible to serve as trustees, 40 years after the foundation's creation (The Marion I. & Henry J. Knott Foundation, 2016).

Social impact purposes represent an emphasis on the giving objectives of the organization or donor: motivated for example by serial reciprocity (Boulding, 1976, p. 39), direct reciprocity (Kolm, 2006, p. 376), a commitment to formalizing previous charitable commitments (Flather, Phillips, & Whitney, 1997, p. 80) or a desire for "...large-scale, lasting social change..." (Fleishman, 2007, p. 40), donors with a relative emphasis on social impact might be expected to create foundations primarily designed to enact those priorities, albeit with the involvement of family. One such organization is the Lilly Endowment, which as of 2014 (the date this portion of the website was last updated) had only one family member on the eight-person board, although it still cited the priorities of its three founding family members as the basis for its program areas (Lilly Endowment, Inc., 2014).

To date, as the literature review will demonstrate, scholarly literature on family foundations has either ignored or taken as a given the dual purposes of family foundations, without consideration of the prospect of individual differences between family foundations in terms of the degree to which one purpose might be emphasized over the other. This dissertation explores this question, offering insight into founder and trustee motivations for giving through a family institution.

Structure of this Dissertation

The structure of this dissertation will be as follows:

- 1) The balance of the first chapter provides a brief overview of relevant literature, a summary of research questions and an overview of the research design.
- 2) The second chapter offers a review of literature on family foundations as well as relevant portions of the literature on private foundations and on family firms; in addition, this chapter will detail the literature on agency and institutional theories, which form a theoretical framework for the subject study.
- 3) The third chapter enumerates the research questions in more detail and discusses methodology for the study as well as the basis for that methodology in the literature.
- 4) The fourth chapter sets forth the quantitative analyses as delineated in the methods chapter.
- 5) The fifth chapter details the qualitative analyses of the study as also delineated in the methods chapter.
- 6) The sixth through eighth chapters feature case studies based on publicly available material from three family foundations that offer insights on how the relative balance between family-related and social impact-related purposes relates to differences in how each organization defines itself to the public and to potential grantseekers.
- 7) The ninth chapter discusses the results of the previous chapters and the degree to which they support the hypotheses set forth below. In addition, this chapter will discuss limiting conditions and further research.

Setting the Context

Family foundations form a critical part of the nation's philanthropic infrastructure.

According to the most recent data available (Foundation Center, 2016), 42,008 of the 79,729

independent private foundations in the United States (or roughly 53%) are considered family foundations, with assets totaling over \$400 million and grantmaking of nearly \$26 million. Yet, even the definition of a “family foundation” remains somewhat fluid (Moody, Knapp, & Corrado, 2011), and peer-reviewed literature specific to family foundations, as opposed to private foundations more generally,⁵ has been limited to date.

Do family foundations as organizations actually differ in terms of the degree to which one set of purposes is emphasized over the other? What implications for grantmaking and board composition might this difference represent? Agency theory and institutional theory offer possibly productive lenses through which to examine these questions.

The classic form of agency theory asserts that a firm’s owners will seek to maximize alignment between the interests of owners as principals and managers as agents by, among other things, minimizing information asymmetry (Shapiro, 2005).⁶ In their early exposition of the agency problem, Fama & Jensen (1983a, p. 318f.) suggest that in the nonprofit context, donors may be considered principals for which board members are agents. Agency theory suggests that one way founding donors will seek to minimize agency problems is through careful structuring of board membership and member roles, such that board members are more likely to fulfill the donor’s intent when the donor’s direct influence, either through membership on the board or through leadership of the family, may have diminished. For a family-purpose oriented foundation, that intent may be best fulfilled by maintaining a strong family presence on the board and providing training to family board members that helps them to identify and enact their own philanthropic priorities (as well as by appointment of outside board members who

⁵ See the volume edited by Anheier and Hammack (2010) for an example of the literature on private foundations.

⁶ The political science variant of agency theory focuses on how the voters as principals manage elected officials as agents (Mansbridge, 2009) and is thus not applicable here.

can mentor family board members). For a social impact-oriented foundation, donor intent might best be fulfilled through selection of family and non-family board members who can foster grantmaking that will produce that desired impact, and through training focused on mechanisms and strategies to do so through grantmaking among other avenues, such as coalition-building or training for grantees. The differences in board structure and board development produced by this difference in intent should translate into differences in grantmaking, such that family purpose-oriented foundations show greater diffusion in grantmaking in terms of program areas and grantees relative to social impact purpose-oriented foundations. Thus, agency theory suggests that foundations with greater family focus will differ from foundations with greater social impact focus in terms of board composition and the nature and content of efforts to prepare successors, with resulting differences in grantmaking.⁷

Yet, every private foundation, whether it is family purpose-oriented or social impact purpose-oriented, faces a range of internal and external pressures resulting in action that may not necessarily align with the donor's original intent. Those external pressures may arise through regulation, behavior of peers, or unavailability of information regarding the best way to address a challenge. Internal pressures may arise from, for example, tension between staff who view themselves as members of a profession (Barrett, 2010, p. 257) and lay board members. Institutional theory suggests that these factors will result in similarity between organizations over time, as long as those organizations are subject to the same pressures (Oliver, 1991).⁸ Yet, organizations may differ in their sensitivity to these factors (Heugens & Lander, 2009), due for

⁷A modest but non-trivial body of research relates agency problems directly with the presence of an endowment (Core, Guay, & Verdi, 2006), but this literature focuses on public charities—see, for example, Calabrese (2011).

⁸ Of course, organizations are *not* always subject to the same pressures, and both agency theory and institutional theory make predictions about how organizations attempt to reconcile conflicting pressures arising from multiple principals (Shapiro, 2005) or conflicting institutional demands (Pache & Santos, 2010).

example to differing levels of access to information (to the extent that it might exist at all) regarding optimal approaches to achieving a given outcome (Haunschild & Miner, 1997).

Thus, according to institutional theory, similarly situated family foundations are similar to their peers in terms of board composition and the content of efforts to select and prepare successors, resulting in fewer differences in grantmaking, *ceteris paribus*. However, a relatively greater focus on family-oriented purposes or social impact-oriented purposes on the part of the donor(s) may create a basis for differences in sensitivity to those external pressures, as well as whom precisely an organization's board views as its peers. For example, a more family purpose-oriented foundation might be less sensitive to external pressures, and might be more likely to regard as its peers and models those foundations that focus on family as an operating principle, while a social impact purpose-oriented foundation might be more sensitive to external pressures and more likely to regard as its peers and models those organizations that have been identified as deploying best practices in organization, governance, grantmaking or management.

Through survey data and analysis of quantitative data, along with interviews for a subset of survey respondents and case studies of select respondents, this research explores how family foundation boards that identify themselves as having a greater focus on family-oriented purposes differ from family foundation boards that identify themselves as having a greater focus on social impact-oriented purposes,⁹ in terms of their board composition, efforts to select and prepare successors, and grantmaking activity. The proposed research offers an opportunity to test key precepts of both agency theory and institutional theory while helping to advance our understanding of a unique philanthropic institution: the family foundation.

⁹ Another subset may well emerge that identifies themselves as equally family and social impact purpose-oriented.

Research Questions

This study offers an opportunity to test the predictions of agency theory and institutional theory within the context of family foundations. Agency theory posits that founding donors seek to maximize alignment between their priorities as principals and the actions of founding and succeeding board members as fiduciaries (Shapiro, 2005, p. 277f.).

Under the precepts of agency theory, if an organization is family purpose-oriented, due to significant donor emphasis on reinforcing family cohesion, transmitting philanthropic values, and/or easing the transition of wealth, then Board membership should maintain its family character, though family advisors and consultants may play a critical role in program decisions.¹⁰ Also, board efforts to prepare family successors should focus on the nature of family philanthropic values and how to implement them. As a result, the board of directors should retain its family character and continue to focus on helping the donor's descendants to reinforce family cohesion or realize their own philanthropic values through grantmaking, in accord with the donor's intent. Thus, while family purpose-oriented trustees may be consistent in their efforts to advance family purposes, their grantmaking should show relatively greater diversity in terms of priorities and focus, resulting in a broader range of grantees and less consistency in terms of grant purposes over time because the board's emphasis will be less on fulfilling a specific social impact priority (for example, as set by the founder) and more on fulfilling philanthropic priorities important to individual board members.¹¹ While agency theory makes

¹⁰ This may include mechanisms to secure counsel from experts or technicians on an ad hoc basis or on a regular basis, through, for example, a standing advisory committee. The role of experts and technicians vis-à-vis the family purpose-oriented foundation board is potentially much more complex than as set forth here as will be explored further in later chapters.

¹¹ Potential confounding variables include the degree to which donors specify the objectives of the foundation (Hendry, 2002) as well as the degree to which founding and succeeding board members view their goals as being in conflict (Shapiro, 2005, p. 278f.). I endeavored to pay due attention to these items in my data collection and analysis.

no predictions in this regard, such foundations might also be more likely to link the duration of the foundation to the expected duration of family control of the board. Finally, they might be expected to make a relatively larger proportion of legacy grants to reinforce the family's (and the foundation's) connection to the founder.

For a social impact purpose-oriented foundation, however, agency theory suggests that board membership will tend toward individuals who are most likely to fulfill the donor's philanthropic priorities, whether those individuals are family, family advisors, or experts in the foundation's field of interest. Thus, program knowledge should be more highly valued than family connections for board membership, resulting in a higher number of outside board members, with a particular priority on experts (as opposed to family advisors) among those outside members. Board efforts to prepare family successors should focus primarily on developing their program knowledge. Moreover, such foundations may be more likely to index the life of their foundation to the anticipated life of the problem or condition that the foundation seeks to address, while making a relatively lower proportion of legacy grants (since their primary purpose is to foster the fulfillment of the foundation's social impact in the most effective manner possible). Moreover, because grantmaking is more focused on making an impact than fulfilling the philanthropic priorities of current members, social impact-focused foundations should award fewer discretionary grants. As a result, grantmaking should focus on a narrower range of grantees with more consistency in terms of geography and priorities.

In contrast, institutional theory suggests that external influences should create pressures for organizations to be similar to their peers.¹² However, as relatively more inward-

¹² A premise of this research is that organizations do not necessarily respond to those pressures in the same way, highlighting the role of individual board members in shaping those organizations. Lawrence and colleagues (2011, p. 53) note that while focus on individuals is not necessarily compatible with most current strains of institutionalism, "[t]he concept of institutional work highlights the (perhaps

facing institutions, family purpose-oriented foundation trustees should be less sensitive to those pressures, resulting in a difference with social impact purpose-oriented foundations in terms of the tendency to follow the lead of self-identified peers or best practitioners in terms of board composition, organizational features and grantmaking patterns, including the election of perpetuity and the use of legacy and discretionary grants. As relatively outward-facing organizations, social impact purpose-oriented organizations should be more sensitive to external influences regarding grantmaking priorities and practices, such that they should be more likely to respond to such influences, and thus demonstrate a higher level of similarity to peers on these dimensions.

Whom the organization perceives as its peers in accord with institutional theory, moreover, should vary between family purpose-oriented and social impact purpose-oriented organizations. Family purpose-oriented foundations should identify peers and models among other foundations with a similar family focus. Social impact purpose-oriented foundations should identify peers and models in terms of programmatic focus or grantmaking strategy. Similarly, family-focused foundations should be more likely to participate in any trade association that emphasizes the family nature of philanthropy, while more social impact-focused foundations should participate in trade associations emphasizing the effective practice of philanthropy. A brief summary of these hypotheses follows in Table 1:

controversial) notion that individuals [such as board members] actively engage in processes of institutional creation, maintenance, disruption and change.”

Table 1. Summary of Hypotheses

	Greater Family Purpose Orientation	Greater Social Impact Purpose Orientation
Agency Theory	<ol style="list-style-type: none"> 1. Greater family representation on the board. 2. Efforts to prepare successors focused on the nature of family philanthropic values and how to implement them. 3. Less focused and consistent grantmaking, in terms of program area and grantees, with less program stability. Possibly greater level of legacy grants and discretionary grants. 4. Lifespan linked to anticipated duration of family involvement. 5. Less likelihood of full-time staff. 6. Lesser likelihood of participation in affinity groups, but to the extent that there is any participation, it will be in associations emphasizing the family nature of family philanthropy. 	<ol style="list-style-type: none"> 1. Greater expert and trusted advisor representation on the board. 2. Efforts to prepare successors focused on building program knowledge. 3. More focused and consistent grantmaking, in terms of program areas and grantees, with more program stability. Possibly lower level of legacy grants and discretionary grants. 4. Lifespan linked to anticipated time to resolution of the problem or issue the foundation seeks to address. 5. Greater likelihood of full-time staff. 6. Greater likelihood of participation in affinity groups focused on the social impact nature of family philanthropy.
Institutional Theory	<ol style="list-style-type: none"> 1. Lower likelihood of participation in any association or affinity group. 2. Lesser similarity to self-identified peers, in terms of: <ol style="list-style-type: none"> a. Family/family advisor vs. program expert representation on the board. b. Efforts to prepare family successors. c. Focus and consistency of grantmaking and use of grantmaking practices such as legacy grants. d. Lifespan election; and e. Staffing. 	<ol style="list-style-type: none"> 1. Greater likelihood of participation in any association or affinity group. 2. Greater similarity to self-identified peers, in terms of: <ol style="list-style-type: none"> a. Family/family advisor vs. program expert representation on the board. b. Efforts to prepare family successors. c. Focus and consistency of grantmaking and use of grantmaking practices such as legacy grants. d. Lifespan election; and e. Staffing.

Moreover, the differences between family foundations that focus more on social impact-oriented purposes or family-oriented purposes should be more than quantitative. Agency theory suggests that the story that each type organization tells about itself should be qualitatively different: For example, to the extent that the question and answer format does not interfere with the coherence of the story, the narrative for more family purpose-oriented organizations should be relatively more focused on family history, family values, and the geography of the family, while the narrative for the social impact-oriented organizations should particularly focus on impact but also on the founder's values, and the geography of the founder. Finally, efforts to prepare successors within family purpose-oriented foundations should emphasize the nature of family philanthropic values and how to implement them, while such efforts for more social impact purpose-oriented foundations should emphasize building program knowledge. Institutional theory suggests that peers and networks should play a greater role in the narrative of social impact-oriented foundations while family history and family values should play a greater role in the narrative of family-oriented foundations. Thus, the research questions to be addressed by this study include the following:

- 1) Do trustees from different family foundations actually differ from one another with regard to the degree to which they emphasize family purposes or social impact purposes, as defined above?
- 2) If family foundations can be demonstrated to differ in this regard, to what degree do the hypotheses suggested by institutional theory or agency theory (set forth above) for foundations with a greater focus on family or social impact purposes receive support?
- 3) How do these differences translate into differences in each organization's narrative about itself, particularly as expressed by board members?
- 4) For which (if either) theoretical framework does the study offer greater support?

In order to address these questions, the study employed a mixed method design, including a quantitative component (analysis of grantmaking and analysis of board membership as well as quantitative elements of a survey) and qualitative component (interview, qualitative elements of a survey, and review of publicly available materials).

CHAPTER TWO

LITERATURE REVIEW

As suggested by the previous chapter, despite their importance to the nation's philanthropic infrastructure, the family foundation remains an under-examined institution within the scholarly literature. Moreover, to the extent that family foundations have received attention (particularly within the practitioner literature), such work has largely lacked the theoretical framework (such as agency theory or institutional theory) that characterizes the best of the literature on nonprofit organizations more generally. This is particularly true with regard to family foundation governance, although family firms (private enterprises that are similar to family foundations with regard to their origins, management and governance) raise analogous questions that the family business studies literature has explored more extensively and often from specific theoretical perspectives. The following explores key precedents and predecessors to this study from within the private foundation and family business literature, focusing in particular on the degree to which agency theory and institutional theory (two theoretical frameworks most often applied to nonprofit organizations) have informed prior work. The chapter then turns to the literature on family foundations that is relevant to this study.

Private Foundations

To the extent that a prevailing theoretical framework can be applied to the study of private foundations, institutional theory and agency theory are excellent candidates. With regard to the former, Frumkin (2006, p. 235) briefly cites institutional theory in his discussion of the swift diffusion of practices promoting bureaucratization and professionalization among foundations; earlier work by Frumkin (1997) explores the applicability of institutional theory to

private foundations in more depth, examining “...why institutions -- endowed in perpetuity with substantial assets and possessing tremendous freedom -- rallied together to form an increasingly homogeneous organizational field” (Frumkin, 1997, p. 3).¹³ Frumkin (1997, p. 385) further suggests in a comparison of the four types of foundations (community, operating, corporate and independent) that neo-institutionalism is a particularly appropriate framework for independent foundations in particular, noting that:

“...most large foundations have elaborate financial accounting systems, structured evaluations of their grantmaking programs, and a whole host of other internal controls aimed at making foundations appear well-managed and accountable. Most of these behaviors are aimed at building appearances, rather than meeting real world management needs.”¹⁴

Lagemann (1999, p. x) reinforces this point, suggesting that new institutionalism in particular has been a productive framework for research in foundations because of its utility in, among other things, “...fostering awareness that foundations operate within a field or sector composed of like institutions, which tends to make the operations of already like institutions more and more similar...”¹⁵

While agency theory has not been as common in examinations of foundation behavior, it is more common in the family business literature, which also addresses the intersection of family and finances, albeit with regard to the for-profit firm, as shall be discussed further below.

Other theories have been utilized in the study of private foundations, of course: prior studies of private foundations have utilized organizational ecology (Bielefeld & Chu, 2010),

¹³ Citing earlier seminal work, Frumkin (1997, p. 10) also notes that “DiMaggio (1991) distinguishes four key elements in the construction of a field: (1) An increase in the density of interorganizational contacts; (2) an increase in the flow of information; (3) the emergence of a center-periphery structure; and (4) the collective definition of the field.”

¹⁴ Somewhat more recently, Aksartova (2003, p. 29) examines how foundations are subject to “...the normative influence of the social network in which they are embedded.”

¹⁵ In the same volume, Frumkin (1999) builds upon his dissertation research to examine how professionalization of staff and increased regulation resulted in the adoption of systems that improved the openness, accessibility and responsiveness of philanthropic foundations following the passage of the Tax Reform Act of 1969.

empowerment theory (Wernick, 2009), elitist theory (Karl, 1997), pluralist theory (Anderson, 2002), economic geography (an approach that is largely neo-institutional) (Lew & Wojcik, 2010) and resource dependency (Delfin & Tang, 2005). Of particular relevance to this research, Whitman (2006, p. 363) utilizes what he terms a comparative social values theory to explore the degree to which U.S., European and Canadian foundations espouse specific social values such as equity or freedom.¹⁶ Applying in large part the framework for defining, measuring and evaluating change in human values developed by Rokeach (1973), Whitman provides a framework whereby foundations can be evaluated by the public with regard to the degree to which they enact the values they espouse, noting that (Whitman, 2006, p. 367):

[s]uch values, properly articulated, can serve three functions. First, they can provide a basis on which the foundation can justify a theory of change, that is, to decide how best to leverage its resources to desired effect. Second, they can provide a basis on which to justify making specific resource allocation decisions, whether in the form of grantmaking or in the case of operating foundations, selecting issues to address. Third, they can provide a referent for evaluating the success of the foundation.

Although this work does not directly inform my research, it does represent a recognition that foundations differ in terms of the specific values they emphasize. What is missing from this line of research—see also Whitman (2008), (2009)—is any acknowledgement that external factors—from regulators, peers, or board member networks—play a role in shaping those values. Ashley (2007, p. 102ff.) examines the likelihood of adoption of innovative practices by foundations from the perspective of the organizational strategy literature, noting that larger and older foundations are more likely to adopt innovative practices with regard to knowledge management and evaluation systems, while smaller and younger foundations are more likely to

¹⁶ See also Whitman (2009). Whitman (2008) does set forth a method for evaluating the social values of foundations against a specific set of guidelines that apply across national contexts, although this is arguably more aligned with the literature revolving around foundation effectiveness, which is not the subject of this study.

innovate with regard to the provision of operating grants (as opposed to program grants). While this research examines differences between foundations based on their demographics, here again, however, the foundation is treated as a single unit of analysis, without explicit consideration of its constitutive board (or staff).

Foundation Governance

Central to exploration of all of these questions—even if not the explicit focus of much of the literature—is the foundation board. From synthetic overviews of the literature such as Middleton (1987)¹⁷ to exploration of group dynamics (Forbes & Milliken, 1999) to examination of the board’s reputational (Handy, 1995) and representational (Abzug & Galaskiewicz, 2001) roles as well as exploration of the degree to which the board impacts the performance of the organization it governs (Bradshaw, Murray, & Wolpin, 1992), nonprofit boards of directors have been the subject of substantial scholarship. Foundation boards have received attention as well in the practitioner and scholarly literature, including explorations of trustee perceptions of effectiveness (Ostrower, 2006),¹⁸ the responsibilities (Bundy M. , 1975) of foundation trustees, the roles of trustees (Young, 1969), and ways to address the shortcomings of foundation boards through legislation and regulation (Taylor, 1951).¹⁹

Among more theoretical explorations of foundation governance (without linkage to normative claims), Suarez et al. (2011) utilize social capital theory to explore the degree to which foundations are likely to support community organizing or civic engagement efforts, noting that foundations more likely to do so are also more likely in their public communications to emphasize the discourse of social change. This is a key precedent to the subject study as it

¹⁷See also Ostrower & Stone (2006), or Stone & Ostrower (2007).

¹⁸ See also Ostrower (2004) and (2007) as well as The Center for Effective Philanthropy et al. (2005).

¹⁹ See also Lipton (1978) for a call for public selection of foundation trustees and Crimm (2001) for discussion of how the efforts of one foundation’s trustees to circumvent their fiduciary responsibilities for their own benefit represents a call for further regulation of trustees.

demonstrates individual differences between foundations as the basis for differences in grantmaking behavior and suggests that public communications are a critical expression of an organization's values.²⁰ Lew & Wojcik (2010, p. 170)²¹ embrace a more neo-institutional perspective, noting that "...the corporate culture of a country informs the philanthropic culture...so as to systematically distinguish it from the philanthropic culture of another country." Finally, although he does not explicitly embrace an institutional approach, Hagerty (2012) hews closely to the theoretical framework developed by Frumkin (who as noted above suggests that institutional theory is a potentially fruitful framework for examining foundation philanthropy) in his exploration of foundation trustee behaviors and attitudes in a single American city.

Thus, the primary theoretical framework in examinations of private foundations and their boards has been institutional theory. Yet, studies informed by institutional theory have examined the behavior of foundations as organizations while often neglecting the constituent parts of those organizations (such as the board of directors). Research informed by agency theory, however, has devoted substantial attention to nonprofit boards of directors, and Benjamin (2010, p. 387) examines organized philanthropy's increased emphasis on performance monitoring, noting that "[u]sing measures of performance to ensure accountability and improve effectiveness is informed by agency theory." Accordingly, agency and Institutional theory appear to be fruitful but necessarily complementary perspectives from which to explore the literature on family foundations. To the body of literature on family foundations, the discussion now turns.

²⁰ See also Stroh (2009) for a broad application of systems theory to the governance of private foundations.

²¹ See also Lew & Wojcik (2009).

Family Foundations: Prior Research

In addition to the definitions offered in the previous chapter, family foundations are defined by Nason (1977, p. 3) as “...vehicles for continuing the personal philanthropy of the donor” and by Gersick (2006, p. 47) as “...grantmaking institution[s] whose policies and practices are guided by donors and/or relatives of donors”.²² With regard to the two states from which foundations in the sample were drawn for this study, as of 2014 (the most recent year for which data is available), Indiana’s 527 family foundations held nearly \$8.1 billion in assets as of 2014 (Foundation Center, 2016), while in Michigan, 1,201 family foundations held nearly \$7.2 billion in assets (Foundation Center, 2016). Complemented by a host of descriptive (Ostrower, 2006),²³ normative (Hamilton, 2001)²⁴ and instructive (Edie, 1999)²⁵ publications, prior analytical work on family foundation boards has described the demographic features (Council on Foundations, 1993) or then-current practices (Gast & White, 2001) of family foundation boards, with less attention to the potential bases for those features or practices. As an example, see Price & Buhl (2009) for an in-depth (but still descriptive) overview of family foundation missions, values, practices and perceptions. From a more quantitative perspective, McAllister (2005) uses accountancy measures (investment return, administrative expense ratio, and cost per grant, *inter alia*) to assess the relationship between founding family control, trustee compensation, and foundation performance. He notes that founding family involvement on the board—and founder involvement in particular—are associated with superior performance (McAllister, 2005, p. 49), defined as lower administrative expense ratio and cost per grant ratio. However, this study does not proceed from a specific theoretical framework. Also, the election to sunset a

²² See Moody et al. (2011) for an exploration of the definitional framework for family foundations and the variations among organizations that fall within that framework.

²³ See also Council on Foundations (2009).

²⁴ See also Council on Foundations (2013), Flather et al. (1997) or Gerstacker (1975).

²⁵ See also Gast (2006), Kotkin (2007), National Center for Family Philanthropy (2005) or Beggs (2014).

foundation has received attention from practitioners (Renz & Wolcheck, 2009),²⁶ but very little from scholars²⁷; the same might be said of grantmaking practices among family foundations (Price & Buhl, 2009), including discretionary grantmaking²⁸ (Born, 2001) and legacy grants²⁹ (Price, 2010). In addition, the normative literature covers such topics as optimal governance³⁰ (Flather, Phillips, & Whitney, 1997) and legal obligations (Edie, 1999) of family foundations, as well as foundation strategy (Buteau, Buchanan, & Brock, 2009). While these are important (and still relatively rare compared to the literature on their public charity counterparts), of greater interest here are the theoretical treatments of family foundations. For example, Silberstein (2009) uses concepts from identification theory as developed by Schervish and Havens (2003) to examine how philanthropic values are transmitted within Jewish families across generations.³¹ Letts (2005, p. 11) focuses on the normative and practitioner literature as she notes that family foundation founders who wish to engage their family in the foundation's business must be clear whether board membership is an opportunity to become philanthropists or an obligation to continue to enact the parent's legacy.

Finally, the developmental model of family business represents a strong contender for an alternative theoretical framework for family philanthropy. In an early exploration of the developmental model for family business, Gersick et al. (1997, p. 31ff.) suggest that family business ownership follows a predictable pattern of development from controlling owner

²⁶ See also Stone (2005).

²⁷ For one exception, see Ostrower (2009) (but note that this report was not published in a peer-reviewed journal). See also Thelin and Trollinger (2009) for research on limited-life foundations.

²⁸ Discretionary grantmaking is defined by The National Center for Family Philanthropy as "...grants made at the discretion of individual trustees or other authorized individuals, without the standard approval process and/or review by the full board" (Born, 2001, p. 1).

²⁹ Legacy grants are defined as grants "...made to honor a key family member, most often the founder of a family philanthropy" (Price, 2010, p. 1).

³⁰ See also National Center on Family Philanthropy (2005) for an overview of optimal succession strategies or Council on Foundations (2013) with regard to stewardship principles for family foundations.

³¹ See also Wilhelm et al. (2008) for an econometric model of the intergenerational transmission of generosity demonstrating significant correlation between parental giving and child giving.

(generally the founder of the firm) to sibling partnership (ownership among the children of the founder) to cousin consortium (distributed ownership among a larger and more diffuse group of descendants).³² Elsewhere, Gersick et al. (1990, p. 369) posit that “...there appears to be a strong developmental component to the impact of family dynamics across generations. That is, beginning with the founder, a pattern emerges of distinct family interactions that are specific to each generation.” Gersick (2006, p. 5) later expands on this concept with regard to family foundations:

[i]n the stories of these foundations, we found three distinctive types of governance organization...Controlling Trustee Foundations...Collaborative Family Foundations...[and] Family-Governed Staff-Managed Foundations...we found a tendency for foundations to begin in the first type and to move at some point to the second, and sometimes to the third, over time.³³

Nielsen (1989, p. 414) highlights the governance challenges that arise when a foundation has moved from founder to family to non-family control, particularly revolving around how active the board should be in the management of the foundation upon transition to professional management of the organization. Dowie (2001, p. 8ff.) also suggests a lifecycle model, citing the progression of early foundations from donor self-management of giving to donor creation of an organization to governance of that organization by close family and associates of the donor to, finally, governance and management by experts, wherein eventually “...the staff of a large foundation becomes increasingly more professional and bureaucratized.” Much earlier, Zurcher (1972, p. 17ff.) discusses the transition of most family-founded foundations from primitive (with the founder and immediate family making most decisions) to intermediate (as the board and the grant portfolio both diversify) to a more general purpose

³²Families in business (Gersick, Davis, Hampton, & Lansberg, 1997, p. 29ff.) also follow specific and predictable patterns of development, according to the authors.

³³ Lansburg (1999, p. 47) discusses how transitional periods between each of these stages are characterized by “ambiguity about authority, prevailing notion [that] “Future will resemble past” and [an environment in which] Uncertainty rules.”

foundation with limited (if any) family influence. Yet, Rutherford et al. (2006, p. 328ff.) note that individual differences with regard to owner, business, and family—such as owner level of education,³⁴ level of business debt, divorce rates within the family, and family net worth invested in the business—affect the degree to which family businesses adhere to the developmental model; by extension, family foundations may well be expected to manifest individual differences that might affect their adherence to any developmental model.

Another model comes from Ostrower (1995, p. 48), who embraces a theory of elite distinction³⁵ as a basis for differences between donors in terms of their engagement in philanthropy; she notes that:

“From an intra-elite perspective, however, the philanthropic world is anything but homogeneous...[i]t is useful to conceptualize philanthropy in terms of the idea of a hierarchical field of institutions and actors...Within social fields, individuals compete to position themselves, drawing on the different types of capital, or resources, at their disposal. In philanthropy, such capital includes personal prestige, money, time and connections.

Of course, family philanthropy may in fact be no different from non-family foundation philanthropy: In a comparison of grantmaking between family foundations and nonfamily foundations in Georgia (McGinnis & Ashley, 2011), the authors found no difference between the two types of foundations in terms of subsector giving patterns. However, Lungeanu and Ward (2012, p. 11f.) note that family foundations tend to have less diverse grant portfolios, although diversification for family foundations increases as the distance from the founder’s generation increases; also, diversification for either type of foundation is affected by the size of the board, although greater family control of the board attenuates this latter effect.

³⁴ This portion of their hypothesis only finds partial support.

³⁵ For a more recent treatment of the sociology of elite distinction, see **Daloz** (2010, p. 108ff.)—The only link between elite distinction and philanthropic action mentioned by this author relates to patronage of artists, and even that is represented explicitly as a relationship of reciprocity rather than philanthropy.

Yet, all family foundation trustees would likely assert that their own mission statements are unique (and generally not subject to frequent change).³⁶ In a discussion of how best to manage geographic dispersion of board members, Stone (1999, p. 13) asserts the following about family foundation mission:

Given that family foundations are led by families, it is not surprising that the debate about the mission is often framed in either/or terms: The interests of the family vs. the interests of the foundation. Some trustees argue that if the foundation is to continue, it must adapt to the changing needs of the family. Others...say that the mission is set by the donor and...reflects not only the donor's interests, but the family's history, values, and legacy. Therefore, it doesn't matter where the trustees live; honoring the mission comes first.

How might family foundations form a clear strategy or mission? Arguably, the most compelling source of a clear mission is the founding donor (Whitaker, 1974, p. 46ff.). Indeed, Wooster (2007) offers a series of horror stories regarding subversion of donor intent when founders do not express their intent with sufficient clarity (among other reasons). Abbinante (1997, p. 668)³⁷ notes that "...society should ensure that donors' intentions are followed in order to encourage continued philanthropic activity by the wealthy...If potential donors decide not to fund foundations because the law fails to protect their intentions, valuable resources will be lost." Of course, the fiduciary duty of obedience may protect the resources contributed by the donor from being used in a manner contrary to that specified by the donor, but ambiguity around the necessary extent of public benefit of a private charitable entity such as a private

³⁶Khalifa (2011, p. 31) notes that within the literature, there are indeed disagreements over what a mission statement is, what its function is, and what its focus should be, suggesting that "[t]heoretically, it may prove helpful to conceptually unravel mission, vision, values, identity and other related concepts and define each separately." While this is a helpful normative statement, it may not reflect current reality: McDonald (2007) suggests that a clear mission is important to an organization's ability to innovate, while Ingenhoff et al. (2010) suggest that mission statements represent one mechanism by which competitors distinguish themselves from each other.

³⁷ See also Barman (2007), which applies institutional theory to examine donor control in the context of individual giving and discusses the challenges foundation trustees face from a legal perspective as they seek to balance donor intent with responses to current conditions, such as new tax law or the changing needs of society.

foundation (Atkinson, 2008, p. 75) remains an issue—what if the donor wishes the benefits of the foundation to accrue indirectly to family members but directly toward a clear charitable purpose?

The question of how best to fulfill donor intent itself represents a clear application of the agency problem to family foundation boards. Accordingly, despite the potential richness of institutional theory in the study of the boards of family foundations and its demonstrated value for research on foundations more generally, agency theory also remains a potentially relevant framework.³⁸ To the extent that institutional theory appears in scholarly or practitioner literature on family business or family philanthropy, it is often one of multiple theories used—see, for example, Dibrell’s (2010) analysis of a specific phenomenon within family businesses (life settlements) using institutional, real options, and stewardship theories³⁹—or is cited only obliquely in the exploration of other theories—see, for example, Habbershon (2006) for an explication of the role of contextual factors in a discussion of the family factor as a mitigator of agency problems.

There are, however, exceptions to this assertion. In the context of a study of corporate codes of conduct in Germany, Chizema (2011, p. 248) develops (but does not test) propositions incorporating concepts from institutional theory to apply to family firms; among those propositions is the assertion that “[t]he greater the family power in the firm, the greater the firm’s decoupling of the code of corporate governance from practice...” Ashley (2007, p. 95f.) notes that with the exception of providing operating support, family foundations are less likely to adopt innovative best practices than other types of foundations, *ceteris paribus*, again

³⁸ Miller et al. (2009) do examine the role and benefits of social ties to family vs. non-family firms in Korea, in line with Granovetter (2005), but the connection of this study to institutional theory is more inferred than explicit.

³⁹ Dibrell et al. (2009) also discuss the role of family in mitigating the liability of newness from an organizational life cycle perspective, but again, the relationship to institutional theory is tenuous.

suggesting a lower degree of sensitivity to external influences relative to private non-family foundations.

Family Business Studies: Agency and Institutional Theory

Another type of family-based institution that has received significant attention in the literature is the family business. Because the family business literature offers insights relevant to family foundations and their boards, the following examines the utility of agency theory in particular to family businesses, which bear significant resemblances to family foundations. In fact, in their early exposition of the agency problem, Fama & Jensen (1983b, p. 306) note that “...family members have many dimensions of exchange with one another over a long horizon and therefore have advantages in monitoring and disciplining related decision agents.” They also suggest that closed corporations like many family firms have an advantage over open corporations because “...residual claims are largely restricted to important decision agents” (Fama & Jensen, 1983b, p. 332). Yet, family firms, like family foundations, also represent opportunities for a family to pursue non-economic goals, such as building family cohesion (Lubatkin, Schulze, Ling, & Dino, 2005),⁴⁰ concurrently with pursuit of the more obvious economic goals of the firm. Further, family firms, like family foundations, are characterized by family ties (Sharma, Chrisman, & Chua, 1997).⁴¹ Accordingly, Schulze et al. (2002, p. 254ff.) outline ways that altruism toward family members can decrease the effectiveness of efforts to manage agency problems in family firms, thus reducing their competitiveness. Gomez-Mejia et al. (2001, p. 91) note that “...the links between performance, business risk and executive tenure

⁴⁰ Noting that “[r]ecognition of the intertwinement of family and business in family firms has led to a definition of high performing family firms that takes into consideration performance on both family and business dimensions...” (Sharma, 2004, p. 6f.), Sharma classifies family firms according to their success with regard to both family goals and business goals.

⁴¹ Dyer (2003) suggests more broadly that family is an overlooked factor in almost all organizational research.

are stronger when agents have no family ties to principals... [and] that the organizational consequences of CEO dismissal are stronger when a replaced CEO is a family member"⁴², noting further that the implied increased agency problems resulting from family ties can be overcome when firms properly structure contracts. Lubatkin et al. (2005) discuss how parental altruism, combined with the controlling owner's inability to do what might be optimal for the firm when it conflicts with that altruism, can exacerbate agency problems in the family firm. In contrast, Karra et al. (2006, p. 874) suggest that the altruism toward family members associated with family firms actually mitigates agency concerns in the early stages of the firm's existence, but can lose this effect or even reverse as the firm increases in size and age. Moreover, Schulze et al (2001, p. 99f.) note that family firms are insulated from many agency problems because owner-management reduces separation of management and control, as owners are largely decision makers (thus reducing incentives to engage in behavior contrary to owner interests) and because of family ties between agents and principals that mitigate the possibility that agents will be able (or willing) to engage in behavior contrary to the interest of the principals.⁴³

According to most agency theoretic treatments of family firms, they are qualitatively different from non-family firms. For example, Chua et al. (2009) suggest that family run firms differ from non-family run firms in terms of goals, altruistic tendencies and time horizons (with family firms taking into account a longer time horizon, again mitigating agency problems).⁴⁴ To some extent, these claims are borne out by empirical research: Lee et al. (2003) similarly

⁴² However, Lee et al. (2003) suggest that agency theory can predict intra-family succession when a family member is well-versed in the specific knowledge required to run the family business.

⁴³ Of course, Schulze et al. (2002) offer an alternative view from within agency theory that argues against the necessity of the presumed efficiency of the family firm corporate form. For example, the very altruism that arguably aligns the interests of agent and principal within the family firm may also mitigate the effectiveness of efforts by the principal to deal with an incompetent agent.

⁴⁴ See also Dyer (2003) for the claim that altruism is a quality unique to the principals and agents of family firms. Of course, Monroe (1994) argues strongly against the presumption of altruism as a necessary principle of family firms, suggesting that altruism within the family could actually be considered a form of shared action that benefits the agent by benefiting the entire family.

suggest that appropriation risk by the agent in the family firm is mitigated in the context of business leadership succession within the family. On the other hand, as noted above, Gomez-Mejia et al. (2001) note that the organizational consequences of CEO dismissal are more favorable when the replaced CEO was a family member, suggesting at least some ambiguity regarding the utility of family leadership. Duh (2010, p. 50) offers one potential explanation for any differences in outcomes with regard to family management of the firm, noting that “family involvement” can apply to business ownership as well as (or instead of) business management and that family firms can differ from each other in the extent to which they do not solely pursue financial objectives.

This raises a question about the magnitude and direction of the agency problem for family businesses (and by what arguably is a reasonable extension, to family foundations). As also noted by Duh (2010, p. 47):

“...family firms may significantly reduce agency costs and potentially enhance firm performance because the goals of the principals are aligned with its agents because they are typically one and the same...On the other hand, family firms may incur significant agency costs due to the conflicts that accompany family involvement.

Lee et al. (2003) also suggest that business succession within the family acts as a mitigator of appropriation risk according to agency theory, suggesting an unambiguous relationship between family management of a family firm and financial performance of the firm. Le Breton-Miller et al (2011) examine this dichotomy more directly informed by stewardship theory (Donaldson & Davis, 1991), which posits either inherent alignment between the interests of principals and agents (Sundaramurthy & Lewis, 2003) or greater utility for the agent who acts in alignment with the interests of the principal as a result of the agent’s need for achievement or fulfillment (Tosi, Brownlee, Silva, & Katz, 2003). While stewardship theory might seem intuitively to be a more applicable model for the subject study, and has been used to

complement agency theory in exploration of nonprofit governance (Van Puyvelde, Caers, Du Bois, & Jegers, 2012), agency theory remains the more often used and more well developed, though key provisions of stewardship theory may still be relevant to a family firm. For example, among other findings, Davis et al. (1997) determine that first generation family CEOs behave like stewards while subsequent family CEOs behave contrary to stewardship theory. Karra et al (2006, p. 869) suggest that altruism may be the cause of CEO stewardship behavior, noting that “a concern for the welfare of family members and a desire to build a legacy for them...” played a critical role in their case study subject’s altruistic behavior toward family members. Cruz et al. (2010, p. 716) reinforce this point, while also noting that performance declines in a family firm in the second generation, arguably because the firm’s principal-agent relationships begin to converge with those of a non-family firm. To the extent that this does not occur, Vallejo-Martos (2008) suggests indirectly that organizational culture may be a factor, while systems theory suggests that four subsystems underlie the performance and composition of any family firm—business, family, founder, and such linking organizations as the board of directors (Beckhard & Dyer, 1983, p. 6), so any one (or more) of these factors could account for differences in organizational performance.

Leaptrott (2005, p. 216) notes that “old” institutionalism illuminates family business phenomena such as resource flows to and from family members while new institutionalism explores isomorphism in each of its forms as they apply to the family business, proposing however, bases for differences between organization’s sensitivity to these pressures, claiming for example that “The effect of normative forces originating from inside the family business will be negatively related to the extent nonnuclear family members participate in the business” (Leaptrott, 2005, p. 223) or that “[t]he cognitively based mimetic forces within a family business as measured by the role congruence between the family and family business roles of

dominance, submission, rebellion and conciliation will be greater for nuclear family members in a family business that includes only nuclear family participants than a family business that includes kin who are not nuclear family members and non-kin participants” (Leaptrott, 2005, p. 224). These principles have clear applicability to family foundations.

Agency theory also has applicability to family foundation governance, of course: for example, while the assets of a family foundation are not subject to appropriation risk if the foundation is established (and regulated) properly, a family foundation CEO behaving like a self-interested agent rather than a responsible steward may still consume a greater portion of the foundation’s income through higher salary or perquisites. The agency literature cited above suggests that the CEO’s salary would thus increase over time as generational distance between the founder and the family CEO increases.

Family Foundations: Agency and Institutional Theory

In an early mention of the family foundation organizational form, Coon quotes Keppel’s assertion that “...some of the so-called family foundations are to the writer’s knowledge making their grants with intelligence and discretion (Coon, 1938, p. 334f.).” In contrast, Taylor (1951, p. 312ff.) questioned the accountability of self-governing organizations with large endowments, citing family foundations as particularly egregious examples of organizations that are accountable to no party except for their own trustees and the family from which those trustees are drawn. Most of the literature directly relevant to family foundations, however, comes from the last two decades. Following is a brief overview of key theoretical perspectives on family foundation boards (and their analogues in family business studies, as discussed further below in a separate section): agency theory, institutional theory (including neo-institutional theory), and

developmental theories (those that posit predictable and verifiable paths of organizational evolution).⁴⁵

Agency Theory: From its beginnings (Ross, 1973) and further development (Jensen & Meckling, 1976) in economic theory to exploration in sociology (Kiser, 1999) to modifications to address the specific constraints and conditions of nonprofit organizations (Miller J. , 2002), agency theory has been a primary theoretical framework for research on governance of both for-profit (Hillman, Withers, & Collins, 2009, p. 1416)⁴⁶ and nonprofit organizations (Van Puyvelde, Caers, Du Bois, & Jegers, 2012). In addition to the usual bases for agency problems, such as information asymmetry (Wang, 2005), difficulty measuring the benefits of a contract for the principal (Easley & O'Hara, 1983) and goal conflict (Shapiro, 2005), agency problems can arise from a lack of specification of objectives on the part of the principal, as well as honest incompetence (i.e. a lack of applicable skills) on the part of the agent (Hendry, 2002). All of these factors and others⁴⁷ have particular relevance to foundation boards. Yet, with only a few exceptions of limited applicability, including Benjamin (2010) (cited above) and Fairfield et al. (2008), which applies agency theory to examine the degree to which the quality of the relationship between grantor and grantee affects grantee performance, agency theory has not been applied in the context of foundation boards.

Institutional Theory: Of course, family firms (and family foundations) are more than family units; they are organizations, subject to influences exerted through peer and regulatory pressures as well as through the influence of internal stakeholders, such as professional staff or

⁴⁵ This last body of literature is distinguished from organizational ecology perspectives by its focus on the individual firm as unit of analysis and on factors internal to the firm as critical to its evolution; for a contrasting study rooted in organizational ecology that illustrates these differences, see Bevan (2013).

⁴⁶ Huse et al. (2011, p. 6f.) outline the shortcomings of classical agency theory and suggest a few alternatives, but they still acknowledge that agency theory is the predominant perspective for board research.

⁴⁷ See Steinberg (2008) for other potentially relevant permutations of the agency problem.

board members, even though as non-commercial and largely non-donative organizations⁴⁸, they do not compete for customers or contributions. Institutional theory offers a perspective on how the external environment affects organizations.⁴⁹ In an early exposition of key concepts of institutional theory, Stinchcombe uses comparative analysis between countries to explore why and how certain forms of organization emerge and persist (Stinchcombe, 1965/2000). Meyer and Rowan (1977, p. 343) assert that:

“[i]n modern societies, the elements of rationalized formal structure are deeply ingrained in, and reflect, widespread understandings of social reality. Many of the positions, policies, programs, and procedures of modern organizations are enforced by public opinion, by the views of important constituents, by knowledge legitimated through the educational system, by social prestige, by the laws, and by the definitions of negligence and prudence used by the courts.

Zucker (1977, p. 728f.) defines institutionalization as “...the process by which individual actors transmit what is socially defined as real, and, at the same time, at any point in the process the meaning of an act can be defined as more or less a taken-for-granted part of this social reality”; she goes on to outline how institutionalization facilitates the “...transmission, maintenance and resistance to change... [of] cultural understandings.”

If these authors are correct, then the persistence and diffusion of that social reality should result in similarity between similarly situated organizations over time. DiMaggio and Powell (1983, p. 148ff.) examine not organizations but organizational fields to suggest factors that may result in “...such startling homogeneity of organizational forms and practices”, noting further that “[o]nce a field becomes well established...there is an inexorable push toward homogenization.” That push is exerted through “...political influence and the problem of

⁴⁸ For example, to the extent that they do not seek donations from members of the public or other institutions, they therefore should not be subject to conventional resource dependence pressures (Nienhuser, 2008).

⁴⁹ While the focus of institutional theory has been on both individual organizations and organizational fields (Scott, 2008, p. 434f.), Lawrence et al. (2011) suggest “institutional work”—the lived experience of individual and collective actors—as a focus rather than the macrosocial forces that have been the focus thus far within institutional theory.

legitimacy⁵⁰;...standard responses to uncertainty [resulting in imitation of other organizations perceived as successful]⁵¹; ...and...professionalization.”

Mechanisms by which those forms and practices are diffused include but are not limited to: regulation (as suggested above); interlocking directorates (Shipilov, Greve, & Rowley, 2010)⁵²; interorganizational networks (Mizruchi, 1996); and professionalization of staff (Kraatz, 1998), as also suggested above. Haunschild and Chandler (1997, p. 472f.) explore other bases for similarity between organizations (including the frequency with which a practice is adopted, perceived similarity in terms of specific traits of organizations engaging in the practice, and the perception of favorable outcomes arising from the practice).

Abrutyn and Turner summarize the salient points that old institutionalism may offer new institutionalism, including the importance of “generalized symbolic media of exchange” (2011, p. 287ff.) through which cultures find form and function, including love/loyalty (the medium of kinship), money (the medium of economy), and sacredness (the medium of religion). This work builds upon concepts initially offered by DiMaggio and Powell (1983), who discuss reasons that organizations tend to become more similar over time (coercion, imitation, or prevailing norms), and which itself builds upon work by Salancik and Pfeffer (1978) that explores optimal approaches to operating under conditions of uncertainty (including acting in accord with the choices of like institutions). Other mechanisms by which such practices are diffused include collusion, legitimacy, and professionalization/career advancement (DiMaggio & Powell, 1983),

⁵⁰ See Johnson et al. (2006) for a summary of definitions and types of legitimacy and a proposed process by which legitimation occurs.

⁵¹ Mizruchi and Fein (1999, p. 663ff.) suggest that this category of pressures toward similarity receives a disproportionate amount of attention and is often cited as an explanation when one of the other two might be more appropriate. More generally, they examine how the concept of isomorphism and its variants have themselves become social constructions in the literature.

⁵² Note that interlocking directorates were a stated concern of the Walsh Commission, as related by Coon (1938, p. 311).

cooptation/monitoring (Bastedo & Bowman, 2011), and social cohesion (Morrill & Mckee, 1993).

Johnson et al. (2006, p. 56) discuss the quest for legitimacy, defined by them as:

...a formula that founds its rightness in reason and in nature. . . . For a convention to turn into a legitimate social institution it needs a parallel cognitive convention to sustain it.” Note that this definition, too, describes legitimation as a process by which institutions are linked to a broader cultural framework of beliefs, here fundamental beliefs about reason and nature that are presumed to be so consensually accepted that they are objective social facts.

Why does this matter to an organization? Zorn et al. (2011) suggest that legitimacy is one of three primary influences on organizations (the other two being organizational and environmental characteristics), while Sonpar et al. (2010, p. 2) go so far as to essentially equate legitimacy with institutionalization, or the “...process of acculturation which leads to imbibing myths and beliefs that are eventually accepted without much thought as they assume a taken-for-granted status.” To the extent that legitimacy matters to an individual organization, the quest for it arguably binds that organization (and its behaviors) more closely to its networks and peers, if not the entire institutional field (Davis & Marquis, 2005, p. 332).

Rooted in Meyer and Rowan (1977), institutional field theory (Cooney, 2007) re-emphasizes the conceptualization of organizations as socially constructed, noting how the behavior and structure of those organizations might converge—aside from being part of the same organizational field, geographic proximity and board interlocks/networks are suggested as mechanisms whereby organizations adopt what they view as best practices from other organizations.

Thus according to each of these theories, organizational form and function should converge over time, particularly under conditions of high uncertainty. Yet, they do not always do

so, as noted above. Scott (2008) suggests that a relaxation of the uniformity constraint that once characterized institutional theory is in order given the degree to which organizations and their environments still differ—for example, differences in legal environments, firm size and industry regulation may result in differences in board composition (Luoma & Goodstein, 1999). In fact, the very functions of boards may vary depending on the needs of the organization, from representing local expertise to representing local identity (and sometimes both) (Abzug & Galaskiewicz, 2001).

Of course, there are other bases for heterogeneity within an organizational field. Hambrick et al. (2005) discuss changes in six macrosocial factors on the field level in the steel industry from 1980 to 2000 that contributed to increasing heterogeneity within the field, including reductions in goal ambiguity, a diminished role for the state within the field, and an increase in the number of legitimate organizational models. Accordingly, when isomorphic pressures decrease, we see an increase in the exercise of managerial discretion (presumably resulting in increased heterogeneity). Noda and Collis (2001) reinforce this point, noting through a case study of the “Baby Bells” how market, competitive and organizational forces intersected to foster diversity in their industry. With regard to family firms in particular, Barrone et al. (2010, p. 82) uses the concept of “...socio-emotional wealth, or the stock of affect-related value that the family has invested in the firm” in the context of a discussion of the adoption of expensive environmental management practices to substantiate the claim that “...when family interests predominate, family firms are more likely than non-family firms to bear the cost and uncertainty involved in pursuing environment-friendly policies, driven by a belief that such a risk is counterbalanced by noneconomic utilities rather than the potential for current or future financial gains” (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010, p. 89). This finding potentially reinforces the hypothesis that family foundation trustees more generally might be

more sensitive to external pressures; this study seeks to determine the degree to which that sensitivity varies, according to its relative emphasis on family-oriented purposes relative to social impact-oriented purposes.

Moreover, examining only the organizational field (or even the organizations within it) results in an impoverished view of the organizations of interest. Lawrence et al. (2011) discuss the importance of “institutional work”—the lived experience of individual and collective actors—as a focus rather than the macrosocial forces that had been the focus to that point within institutional theory. Again, this is particularly relevant to this research because many family foundations tell the story of the institutional work of their boards, staff and grantees through public communications.

Also, the language of institutionalization is critical. Loewenstein et al. (2012, p. 63ff.) note that vocabularies are instrumental in social construction of meaning, particularly but not solely with regard to institutional logics. In fact, vocabulary structure is particularly relevant—not just word frequencies, word-to-word relations, or word-to-example relations, but also networks of relationships between words. The authors assert that shared vocabulary is critical to shared meaning, which in turn is critical to communication between organizations. Phillips & Oswick expand on this point with their model of organizational discourse analysis, which examines the process of social construction, or “discursive activity [that is] constitutive of the social world, as demonstrated by analysis of pieces of talk or text, collection of texts that gives them meaning, and the social context in which they occur.” (Phillips & Oswick, 2012, p. 443f.). Heaphy (2008) touches upon the same concept to discuss how organizations balance story-telling and rule use to leverage institutional logics toward their own ends. This is particularly relevant to this research because of the construction/examination of organizational narratives that will form the basis for the case studies; through the stories that foundation managers and

trustees choose to tell through their public materials, they are at least in part revealing their own institutional logics.

Along similar lines, multiple authors suggest that firms in similar organizational fields are bound together by shared institutional logics (Thornton, Ocasio, & Lounsbury, 2012), defined by Thornton et al. as “...the socially constructed, historical pattern of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton & Ocasio, 1999, p. 804).⁵³ However, organizational logics are not necessarily unified within an organizational field, and the force of competing logics is one factor that can lead to institutional change (Marquis, Huang, & Almandoz, 2011). In the case of family foundations, the institutional logic of philanthropy and family could be, if not entirely orthogonal, in conflict if, for example, a family purpose is raising all family voices in grantmaking decisions and a social impact purpose is investing in organizations with the strongest balance sheet (and therefore a better chance of long-term impact).

As suggested above, another factor which arguably binds an organization to its networks and peers is professionalization, but here the picture is somewhat more complicated. Heugens et al. (2009, p. 65) cite DiMaggio and Powell (1983) in noting “that (1) frequent interactions with the state, (2) ongoing professionalization, and (3) a low number of visible alternative templates for organizing in a field will all increase the pull of isomorphic forces.” However, the pressure toward similarity that arises from professionalization can be mitigated at the executive level by CEO social networks (Fernandez-Perez, Fuentes-Fuentes, & Bojica, 2012).

⁵³ Knutsen (2012) offers a specific application of institutional logics to nonprofit organizations, noting that not-for-profit organizations must balance any internal institutional logics with external logics imposed by resource dependence and institutional logics adapted from other organizations.

Explaining Heterogeneity: Why are firms in the same organizational field still so different?

But if institutional theory suggests that all like organizations ultimately converge toward a single structure, why are organizations still so different? In addition to the factors cited above, institutional theory also allows for differences between organizations due to (for example) issue salience (Bundy, Shropshire, & Buchholtz, 2013), competing institutional logics (Marquis & Lounsbury, 2007) which are often tied to establishing an organization's identity by differentiating it from other organizations (Lok, 2010), balancing conflicting institutional demands (Pache & Santos, 2010), symbolic and material immunity to such pressures (LePoutre & Valente, 2012) or weakening of the force of those pressures (Hambrick, Finkelstein, Cho, & Jackson, 2005). Scott (2008, p. 436) also summarizes earlier work that "...proposed that all organizations operate in both technical (market) and institutional environments, but that the extent of pressure posed by each varied across differing types of organizations...", creating another potential basis for differences. Abrutyn (2009, p. 449ff.) notes that most theorists regard institutional change as a function of macro changes in the environment, but that at least part of that change is a function of institutional autonomy, noting that the field had as of that point yet "...to develop a theory whereby individual and collective actors are able to increase the autonomy of an institutional domain vis-à-vis other domains." In particular, Abrutyn notes the importance of the degree of material and symbolic resources and of their distinctiveness as a measure (and tool) of institutional autonomy. Hambrick et al. take this argument one step further, harkening back to principles of organizational ecology to note that institutions become more delineated (and hence more autonomous) when a field becomes more dense, but also noting the importance of the "institutional entrepreneur" as an agent of differentiation between institutions (Abrutyn, 2009, p. 454f). Finally, Thornton and Ocasio (1999, p. 803) cite "...increase in the importance of economic determinants of executive power and a decline in the

effects of positional and relational sources of power on executive succession...” as another basis for differentiation, noting that this is an institutional level variable that operates on the legitimacy of the power exerted, where precisely attention is focused in establishing and enforcing the rules of the game, and what sorts of answers are available based on the prevailing institutional logic. Also, in line with organizational ecology, Lemens et al. (2011) note the potential importance of founding conditions in determining the structure and function of an organization, irrespective (somewhat) of its current institutional environment.

How does the question of organizational differences within organizational fields reflect upon foundations? Consider, for example, the role of professional staff in fostering similarity between organizations as posited by institutional theory. Frumkin (2006, p. 105) notes that in response to the Tax Reform Act of 1969:

“In the end, the Council [on Foundations]’s two missions, to create a professional culture within organized philanthropy and to reposition foundations as public institutions fit well together. As foundations slowly embraced their new public responsibilities, they naturally sought to expand their professional staff to improve relations with the public, including, most importantly, the myriad of grantmaking organizations in the broader nonprofit sector.

However, writing in 1997, Frumkin (1997, p. 190) quoted Frederick Bolman’s assertion that “The professions -- law, medicine, architecture, teaching, and the like -- all have established minimum standards. Not so group philanthropy, despite a half- century of existence.” Citing evidence from the publishing industry, Thornton et al. (1999, p. 816) assert that publishing is unlike other professions in that the preparation is not standardized and certifications are non-existent. Accordingly, the institutional logic of professionalism was thrust aside with relative ease by the logic of markets. The question here is whether the same is true of grantmaking for two reasons: First, no commonly accepted professional preparation curriculum exists, but perhaps more importantly, the majority of family foundations in particular employ no staff. Accordingly, pressures toward similarities as a result of professionalization in the field may not

be as strong, meaning that institutional autonomy (and individual differences) between family foundations may be greater than in other fields. More broadly, as institutions whose very purpose is to translate values -- whose values remains a question to be explored -- into money given to other organizations (and whose grants have a powerful symbolic value for any recipient or its community), Abrutyn's propositions appears to have direct applicability; since those values differ, we might well expect the organizations themselves to differ.

Of course, the fact remains that at the core of institutionalism is a presumption that organizations (including foundations) in similar institutional environments (and arguably with similar institutional logics) will be similar to one another, *ceteris paribus*. Given the nature of foundations as values-driven organizations, their sensitivity to the pressures that drive them toward similarity might differ based on the strength of their purposes, as represented by the degree to which donor intent is perceived as sufficiently specific and still plays a strong role in guiding foundation structure, board membership and grantmaking.

Foundation Governance: What (else) does the literature tell us about foundation trustees?

Governance of nonprofit organizations has received substantial attention in the literature⁵⁴, but to the extent that foundation governance has received attention, the literature has largely focused on community foundations—see for example Millesen (2006) or Graddy et al. (2006), been normative in nature (Gerstacker, 1975), or focused on legal/regulatory issues—see Crimm (2001), Lipton (1978) or even Taylor (1951).⁵⁵ The following focuses on research specifically relevant to the questions outlined in the introductory chapter, citing the literature on boards of directors as appropriate.

⁵⁴ For overviews and syntheses of the literature on boards of directors, see Middleton (1987), Ostrower and Stone (2006), and Stone and Ostrower (2007).

⁵⁵ See also Hager & Boris (2012-13) for a prescriptive paper on foundation trustee compensation grounded in empirical research on actual practices in this regard.

Perhaps the first relevant question relates to the applicability of the agency problem to foundation boards. Who precisely is the principal, and who is the agent? While one obvious (and certainly accurate) answer is that the board acts as the former and the staff as the latter, this may not be true for two reasons. First of all, the majority of small family foundations do not have staff; accordingly, the board members who do the actual work of the foundation may act as agents for the board members who act as principals, holding them accountable for what they do. What if, however, the majority of the board is acting as staff on a volunteer basis? Secondly, the board itself presumably sees at least part (if not the majority) of its role as the enactment of donor intent, in which case the founder is the principal (whether or not he or she is active with the foundation) and the board as a whole is the agent. If this is true, then the next question relates to the clarity of the charge set forth by the founder with regard to the mission of the foundation and its grantmaking priorities. Again, this question has a clear intersection with the degree to which the foundation emphasizes family-oriented purposes or social impact-oriented purposes. Was the founder's intent to create mechanisms for the family to pursue its own shared purpose with a moral dimension (in addition to the financial or effectiveness dimensions of grantmaking), or did the founder desire that his or her successors simply continue the giving priorities (or even grantees) that the founder supported while active with the foundation?

The second question, informed by the first, relates to what boards actually do. With regard to governance more generally, Brown & Guo (2010) discuss research that outlines what board members perceive to be their most important roles, including fund development, strategy and planning, financial oversight, public relations and board member vitality. Fund development is not a function applicable to an endowed foundation, nor (potentially) is public relations, but strategy and planning, financial oversight and maintaining the engagement and vitality of the board could well be applicable to family foundations.

As implied above, a third question revolves around how foundation trustees determine if the organization they govern is effective. The Center for Effective Philanthropy (2005, p. 21) found that foundation trustees view effective foundation boards as those in which board members “[have] an appropriate mix of trustee capabilities and utilization of those skills...engage in strategy development and impact assessment...focus...discussion on important topics, [maintain a] positive relationship with the CEO...and [allow for] opportunity for influence and respectful dissent in board meetings.” Ostrower⁵⁶ (2006, p. 511f.) proposed a typology for foundation effectiveness based on survey data and focusing on four dimensions: proactive orientation, foundation support for technical assistance and capacity building, the degree to which foundation trustees perceive their role as including social policy/advocacy, and the degree to which foundations demonstrated a commitment to development of their own staff. Letts (2005, p. 4) suggests that effective foundation boards are clear about their role, exert an appropriate level of influence, and own responsibility for impact; she goes on to note that effective foundation board *members* appropriately balance the roles of informed giver and institutional trustee. Moreover, she suggests that “There is a big difference between asking children to be trustees of a parent’s legacy and giving them the opportunity to become philanthropists,” noting that donor clarity on what role the family is expected to play is critical and noting also that “[n]egative family dynamics are just as likely to appear and disrupt the smooth functioning of a foundation board as they are a holiday dinner” (Letts, 2005, p. 12). This point is reinforced by Scherer (2015, p. 22) who notes that key contributors to our understanding of foundation philanthropy “...consistently advise future researchers to acknowledge the influence that internal dynamics and organizational values have on foundation behavior. Further, Diaz and Frumkin offer the view that foundation behavior is neither internally

⁵⁶ See also Ostrower (2004).

consistent nor always rational.” This is by no means an indictment of foundation behavior, but it is an acknowledgement that factors other than objectively determined impact can be relevant to family foundation trustees in their grantmaking decisions and must be taken into account in any salient theory of family foundation trustee behavior.

The Dual Purposes of Family Foundations: Family and Social Impact

As the preceding discussion should make clear, the key point for purposes of this study relates to two likely purposes of family foundations, which could represent underlying variables that explain variations between foundations which may not be predicted by institutional or agency theory alone. As Frumkin (2006, p. 239) notes, “...the family foundation...is governed by family members and its goals include both grantmaking and inculcation of values across generations.” Among practitioners, Blanchard (2008) defines family foundation strategic philanthropy as maximizing both family engagement and social impact to varying degrees. The TCC Group (2014, p. 3) discusses family foundation transitions as “Opportunit[ies] to instill philanthropic values in next gen[,], work[ing] together as a family toward common purpose[, and] ensur[ing] continuation of philanthropic legacy.” Finally, Remmer (2005, p. 84) cites several reasons that families become involved together in giving, including “Pass[ing] on philanthropic values and a spirit of giving to the next generation...Establishing or continu[ing] a family legacy...[and] Shar[ing] personal philanthropic interests and experiences.”

Yet, theoretical attention to these purposes has been limited. As Feliu et al. (2016, p. 134) note in a metareview of the literature on philanthropy and family enterprises, “[a]lthough practitioners and academics both suggest that philanthropic activity can be motivated by multiple family and business motives, there is no systematic exploration of how the combination of these motives work.” A driving assumption of this research is that the same is true of the

combination of family and philanthropic motives. Thus, this research represents an opportunity to explore the intersection of family and social impact purposes.

Methodological Precedents

The following briefly reviews the qualitative and quantitative methods used in prior research on foundations more generally, and family foundations specifically, and discusses how and why those methods converge or diverge from the methodology applied in this dissertation.

Noting the unavailability of contact information for the majority of family foundations, Weiss (2000) used board membership information from GuideStar and Foundation Center records to identify 90 family foundations in Worcester, Massachusetts and surrounding communities in the context of a case study⁵⁷ of the city's philanthropic infrastructure. He then performed structured interviews with ten trustees representing nine local family foundations as well as the director of Worcester's community foundation, which manages "...234 donor- or agency-established funds..." (Weiss, 2000, p. 22f.), soliciting from each opinions on why the family started the foundation/fund as well as answers to questions regarding each foundation's application solicitation and review policies and procedures.⁵⁸ Like this study, the geographic scope was limited, albeit substantially more so. The study's interview methodology—structured interviews lasting 90 to 120 minutes, with guarantees of anonymity to all interviewees (Weiss, 2000, p. 24)—was also somewhat similar, but complemented only by review of publicly available records regarding application policies and procedures and board membership (and the latter

⁵⁷ See also Grossman et al. (2011) for a case study used by the Harvard Business School on the Edna McConnell Clark Foundation, although the purpose of the publication is more pedagogical than analytical.

⁵⁸ The author cites Geever et al. (1993) as a basis for several of his interview questions; in the context of a how-to guide for aspiring grant seekers, Geever et al. interviewed foundation trustees to solicit their opinions on optimal grant proposal methods and content.

only for purposes of determining whether a grantmaking organization could be considered a family foundation, in the author's opinion).⁵⁹

Hagerty (2012) used interviews with board members who primarily are part of family foundations to explore how external forces have influenced foundation trustees to change their practices within the specific environment of the Houston, Texas metropolitan area, touching upon, among other things, foundation boards' efforts to prepare successors. In addition to serving as a precedent for part of this study's method and attention to successor preparation, the study demonstrates the importance of context to a full understanding of foundation governance. By focusing in particular on Indiana and Michigan, this research will contribute to an understanding of how the context may differ (or not) for these neighboring states while limiting the variations in context that might arise from a broader geographic sample.

McAllister (2005, p. 11ff.) used accountancy measures--endowment performance, qualifying distribution ratio (that is, percentage of endowment distributed as grants), administrative expense ratio, and administrative cost per grant ratio—as well as survey data (McAllister, 2005, p. 24) to determine whether family control and/or trustee compensation had an impact on family foundation performance and the likelihood of certain foundation trustee practices, such as number of board meetings and area of expertise for non-family board members, for the years 2001 and 2002 relative to a subset of non-family foundations. Although the study proceeds largely from the nonprofit effectiveness literature, the author cites one of the earliest expositions of the agency problem by Fama & Jensen (1983a) to inform his analysis, such that agency theory could be considered the theoretical framework of the study, in line with this research (McAllister, 2005, p. 8); however, the author includes no discussion of nor predictions rooted in other theories. Still, while this study does explore the impact of family

⁵⁹ Still, the author claims generalizability to "...any location" (Weiss, 2000, p. 32).

control and uses trustee compensation to classify a board member who does not share the family name as either a family member with a different surname or a family advisor/outside expert, the variables of interest for this study relate not to foundation financial performance, but to foundation trustee perception of purpose and the implications of that perception for grantmaking and board membership. Also in line with this dissertation, McAllister uses survey data to explore whether family and non-family foundation boards engage in specific practices; however, in addition to asking only five questions via a paper survey, McAllister's sampling framework focused on the 200 largest foundations nationwide by asset size in 2001, sorted into family and non-family foundations (McAllister, 2005, p. 23ff.). In contrast, this study sets geographic limitations (solely in order to secure responses through relationships with regional associations of grantmakers), but imposes no further limitations on family foundation eligibility for inclusion. Finally, McAllister compares family foundations and non-family foundations, while this study compares family foundations that perceive themselves as differing on two key dimensions (importance of family purposes and importance of social impact purposes) with each other; given the nature of its research questions, this is the only appropriate sampling framework for this study.

Gasman (2010) utilized open-ended surveys as well as document analysis (in an effort to triangulate the survey results given what she characterizes as a low response rate) to explore the operations and governance of family foundations founded by African-Americans. Although this study was intended "...to develop a basic knowledge of African American family foundations from which additional research questions can be generated..." (2010, p. 121) and references not a theoretical framework but rather prior empirical work, its use of survey and document analysis methods represents a key precedent to the subject study. However, in this study, pilot survey respondents indicated that open-ended questions were less likely to garner responses from

foundation trustees than multiple choice or rating/ranking questions, and the survey was structured accordingly. In addition, Gasman's survey sampling strategy involved tapping into social networks and using information freely available online as well as Lexis-Nexis (Gasman, 2010, p. 124), while this research ultimately involved securing distribution of the survey link through regional associations of grantmakers; however, follow-up communications with each individual foundation representative invited to complete the survey were critical to boosting survey responses in both studies.

Courtney Jensen (2013, p. 113)⁶⁰ conducted discourse analysis of both publicly available documents for 52 grantmakers and interviews with representatives of 25 of those grantmakers to examine both the strategies that foundations employ to remediate racial inequality as well as the types of support—general operating support, program/project support, technical assistance and capacity building—that they provide to help grantees fulfill foundation priorities. Here again, although aspects of the methodology (interview and document review) are similar to those used here, the population of interest in her study was much broader, including “...public charities, community foundations, private foundations, family foundations, [and] corporate foundations...” (Jensen C. , 2013, p. 109f.).

Other researchers have examined grantmaking as an expression of foundation priorities and strategy: Mandeville (2007) reviewed grantmaking by over 400 foundations and other grantmaking organizations to explore foundation strategies to build the capacity of organizations seeking to engage in public policy work, while Carr (2012) included an analysis of education-related grantmaking from a ten-year period to complement interview, public documents and surveys of school district superintendents in an exploration of the influence of foundation philanthropy over education policymakers at the federal and local level. The latter

⁶⁰ The researcher's first name is included here to distinguish her from Michael C. Jensen, cited above.

represents a close analogue to this study, albeit focusing not on a particular type of institution, but on a particular subject area.

Gersick (2006) performed in-depth open-ended interviews to elicit responses from family foundation trustees regarding a wide range of foundation characteristics, including foundation history, asset management policy, foundation development over time, governance and grantmaking. Gersick's 2006 book is the closest precedent to this research and indeed includes several interview questions similar to questions included in the survey developed for purposes of this study, including whether the mission changed since inception of the foundation and whether the organization makes discretionary grants (Gersick, 2006, p. 250ff.), as well as similar methodological choices (such as analysis of IRS Form 990-PFs to complement the survey results); in addition, key to Gersick's high response rate was the endorsement of the National Center for Family Philanthropy. The primary difference between the two is that this study is more focused on a specific theoretical proposition than on a general explication of family foundation development;⁶¹ in addition, this study seeks to apply a broader range of methods to the questions of interest. Finally, the theoretical framework from which each study proceeds is substantially different: Gersick's theoretical paradigm is a developmental one, while this study seeks to test the utility of either (or both) agency theories and institutional theories for this research population.

Finally, Hagerty (2012), Rosetto (2014), and Lahti Tunnell (2016) use case studies as a component or as a single strategy in their studies of foundations and foundation governance. The context-rich case study approach allows for exploration and, where appropriate, systematic

⁶¹ As the first study of its kind published for practitioners, Gersick's research established important precedents for subsequent research efforts.

comparison of particular aspects of foundations more generally, and family foundations in particular.

This discussion of methodology used in prior research does highlight the inherent challenges of exploring research questions involving family foundation trustees, particularly questions that touch at least in part upon foundation purposes and values (as opposed to practices and demographics). This is likely a primary reason for the paucity of prior scholarly or practitioner research on these topics. In addition to making extensive use of publicly available information (and absolute assurances of confidentiality), the efforts used in this research to overcome these challenges and secure the participation of family foundation board members included working through regional associations of grantmakers that have already established their status as trusted partners for their family foundation members. In addition, the data collection efforts (survey, then interview, then review of publicly available materials) were sequenced to minimize the initial response burden, while using questions at each of the first two stages of the research to identify respondents willing to proceed to the next stage.

The following chapter thus details the methods by which these questions are explored in this study, followed by chapters reviewing the quantitative and qualitative results, three brief case studies and a final chapter with discussion of the overall findings, and the limitations and relevance of the study.

CHAPTER THREE

METHODOLOGY

Introduction

This chapter begins with a description of the methods used in this study, including operationalization of each variable set forth in the Introduction chapter. The balance of the chapter will outline the challenges encountered during the data collection phase of this research and the steps taken to overcome (or at least mitigate) those challenges.

Mixed Methodology

Since this research sought to examine quantitative elements of foundation behavior (such as grantmaking and board membership) as well as qualitative elements such as the motivations of the founder for creating a family foundation, the study used a mixed methods approach. As Bowen (2009, p. 28) points out, “[t]he qualitative researcher is expected to draw upon multiple (at least two) sources of evidence; that is, to seek convergence and corroboration through the use of different data sources and methods.” The combination of qualitative and quantitative analysis utilized here represents an effort to provide a basis for that triangulation.

This study is also uniquely suited to a mixed methods approach because of the importance of both quantitative results and qualitative results to the questions of interest.⁶² Hesse-Biber (2010a, p. 3) offers five common motivations for mixed-method approaches, of which the most applicable for this purpose is complementarity, which “...allows the researcher to gain a fuller understanding of the research problem and/or to clarify a given research result.”

⁶² Bartunek et al (2002) also offer helpful examples and guidelines for enriching quantitative results with qualitative results.

Hesse-Biber (2010b, p. 455) discusses the nature of qualitative inquiry in more detail, citing Denzin and Lincoln's (2007, p. 31) three characterizations of qualitative inquiry, of which the most appropriate in this research is constructivist-interpretive, described as "...assum[ing] a subjective reality that consists of stories or meanings grounded in 'natural' settings". Such a perspective is eminently suited to a study based at least in part on institutional theory, with its own emphasis on institutionalization as "...the process by which individual actors transmit what is socially defined as real, and, at the same time, at any point in the process the meaning of an act can be defined as more or less a taken-for-granted part of this social reality" (Zucker, 1977, p. 728f.).

Hesse-Biber (2010b, p. 457) notes also that "[t]he practice of mixed-methods research has leaned toward a more positivist methodological orientation, one that employs qualitative data as 'handmaiden' or 'second-best' to the quantitative data...". Given the nature of the constructs being examined in this study, the qualitative methods served as critical complements to the quantitative methods, even though the former were employed after and were informed by the results of the latter.

This research began with survey data to identify the difference in emphases on family-oriented or social impact-oriented purposes for each foundation in the sample and to secure information directly from the respondent that was not available publicly (such as the most important motivating factors for the creation of the foundation). It then determined through review of publicly available information as well as data provided by survey respondents how that focus resulted in differences in grantmaking and board composition.

Interview methods then explored the reasons for and implications of that focus in more depth. Kvale (2007, p. 46) notes that "...interviews are particularly suited for studying people's understanding of the meanings in their lived world, describing their experiences and self-

understanding, and clarifying and elaborating their own perspective on their lived world.” Given that a substantial portion of the study involved eliciting interviewees’ personal experience and interpretation of the actions and decisions of the foundation and family of which they are part, interviews were an indispensable component of the study. Kvale (2007, p. 4) cites examples of interviews that “...are not merely tape recording sociologies...but the interviewers actively follow[ing] up on the subjects’ answers, and seek[ing] to clarify and extend the interview statements.” In line with this reasoning, while each interviewee responded to a set series of questions, the researcher followed up on key points for clarification and/or expansion.

Finally, although the study initially proposed a review of organizational archives of willing foundations to examine the degree to which founder communications, organizing documents, and board communications emphasize family or social impact purposes, none of the study participants agreed to allow access. Accordingly, text from publicly available documents was examined to develop case studies for select foundations in the sample. For example, one foundation made available essentially all of its annual reports on its website, while others had placed materials in the Foundation Center archives currently residing in Indiana University’s Ruth Lilly collections.

Before exploring the methodology in more detail, two issues relating to the overall research design must be addressed. First, given the multiplicity of variables and methods intended to explore those variables, the degree of convergent validity of the variables is a genuine concern. Carlson et al. (2012, p. 18) caution that “Alternative measures that provide less-than-perfect convergent validity introduce ambiguities that interfere with the development of meaningful interpretations of findings within and across studies.” While this is true, the relatively exploratory nature of this research and the combination of qualitative and quantitative results limits the researcher’s ability to affirm whether the various variables are

indeed genuinely measuring the concepts of interest. This appears to be a question for future research on this topic.

A second and related issue involves the challenges involved in interpreting the results. Schwandt (2007, p. 12f.) suggests that interpretations based in trustworthiness of the information (such as internal and external validity, reliability, reliability and objectivity) are only complemented by interpretations based in authenticity of the information,⁶³ including “...fairness, ontological authenticity, educative authenticity, catalytic authenticity, and tactical authenticity”, all of which are intended to overcome “...imbalances of power, false experiencing (including false consciousness), misunderstanding, impracticality and disempowerment” (Lincoln, 1992, p. 57f.). For purposes of this research, the most important form of authenticity is one of epistemology: Do the researcher and research participants embrace a common knowledge base sufficient to communicate in meaningful terms with regard to the concepts in question, such that misunderstanding is minimized? Accordingly, feedback was sought on the interview questions during the pilot phase to determine whether each interview question was in fact clearly understood by the interviewee to mean what the interviewer intended to ask.

Data Collection and Analysis

The balance of this section details collection and analysis procedures for each component of the study: survey, interview, analysis of public documents relating to board membership and grantmaking history, and case study.

Survey: The purpose of the survey was to explore the questions of interest to the researcher in broad terms, in particular to distinguish family foundations that placed a greater relative emphasis on family purposes or social impact purposes, and to secure information that would not necessarily be available from public sources, as noted above. Respondents completed

⁶³ As suggested by Guba and Lincoln (1986).

the survey through electronic media—although respondents were offered the opportunity to complete the survey directly with the researcher via Skype or phone, as well as to complete and return a printed version of the survey, none of the respondents chose these other options.

The design of the survey questions was driven largely by the desire to assess the validity of the predictions set forth in the introductory chapter. For example, respondents were simply asked their opinions regarding how important to the foundation were family purposes (of which examples cited in the survey introduction were “strengthening family cohesion, [or] transmitting family philanthropic values”) and social impact purposes (for example, “making an impact on an issue or cause of importance to the founder or family”). Survey respondents rated each purpose independently, rather than via a continuum with family purposes at one end and social impact purposes on the other; this allowed for sorting of the sample into three groups for analysis using the difference between family and social impact purposes as rated by respondents:

1. Relatively higher family-oriented purposes;
2. Relatively balanced family and social impact-oriented purposes; and
3. Relatively higher social impact-oriented purposes.

Piloting of the survey included distribution of the initial and revised drafts to four family foundation executive directors who made the survey available to their trustees for completion. At the same time, feedback was solicited from other knowledgeable individuals. No survey reviewer identified items that were potentially too sensitive for respondents to be comfortable answering, but these efforts did reveal two issues that reviewers felt would limit the number of foundation trustees willing to complete the survey. First, the pilot survey was too long to expect trustees to complete it: one survey reviewer noted, based on his experience with prior family foundation trustee surveys, that expecting a respondent to spend more than twenty (20) minutes on a survey was likely unreasonable. Secondly, the pilot survey asked for information

that was publicly available, increasing time to completion and potentially irritating respondents by requesting data that they likely knew was readily available from public sources. In response to this feedback, the number of survey questions was reduced from 41 to 19, with a particular emphasis on removing questions that asked for public information such as board membership or number of grantees. The final survey appears in Appendix One.

The survey sample was ultimately limited to trustees representing foundations based in Michigan (where the head of the regional association of grantmakers representing the state was most helpful in publicizing the survey link) and Indiana (where the staff of the Indiana regional association assisted). With thirteen (13) organizations self-identifying as family foundations among the Indiana association's members and roughly 185 family foundations among the Michigan association's membership, the total universe of potential respondents consisted of roughly 200 organizations. Only through access to these gatekeepers did the survey generate non-trivial numbers of responses, as discussed further below in the Challenges and Mitigators section. Convenience sampling, defined by Collins et al. (2006, p. 85) as "[c]hoosing settings, groups and/or individuals that are conveniently available and willing to participate..." was the only real option for this study, given the relatively small number of potential respondents and the difficulty in securing survey responses from this particular population as well as the relatively exploratory nature of this research. Efforts to engage in snowball sampling--defined by Heckathorn (2011, p. 356) as "...a nonprobability approach to sampling design and inference in hard to reach or equivalently, hidden populations" proved ineffective, while respondent-driven sampling (Gile & Handcock, 2010, p. 287), in which survey respondents refer additional potential survey respondents from their own networks and are sometimes compensated for each referral resulting in a completed survey, would have been inappropriate for this research population.

The online version of the survey was administered through *SurveyGizmo.com*, which offered more question type options at the time (such as sliding scales and click & drag ranking) and better data reporting functionality than comparably priced software. During the pilot phase, none of the respondents indicated that they had difficulty completing the online survey via this mechanism, although one respondent who completed the final online survey noted that the click & drag ranking was not functional for him or her; however, that particular respondent enumerated choices and ranking via the comments section of those particular questions. Of course, the software may have been at least part of the reason for the abandonment rate,⁶⁴ but because no incomplete survey included contact information, this could not be confirmed directly. The survey strategy led to twenty-two (22) complete and usable surveys representing nineteen (19) organizations.

Of the 13 foundations that self-identify as family foundations in the IPA membership, six (6) provided completed surveys. The response rate among Michigan family foundations was higher in terms of absolute numbers (13) but much lower in terms of percentage of family foundations represented (roughly 7%), for an overall response rate of 9.5%. Gasman (2010, p. 125) characterizes her final survey response rate of 42% as “...considerably lower than desired...”. Thus, the response rate for Michigan foundations in particular could be characterized as a significant limitation of this study.

Interviews: One survey question asked whether respondents would be interested in participating in an interview to explore their answers in more detail. Respondents who assented to an interview were then asked to provide contact information. Within one to three days, interested respondents were contacted via e-mail to determine an optimal time to talk via

⁶⁴ The survey abandonment rate was roughly 26.3%, which is higher than comparable studies—see, for example Lenzner (2011). This meant that roughly 74% of respondents who started the survey completed it.

telephone, Skype, or in person. They were then furnished a copy of the questions that would form the basis of the interview as well as an Informed Consent Statement to be returned prior to the interview. Nine (9) respondents indicated a willingness to be interviewed and provided contact information, through which a time and date could be set for each interview. Eight (8) respondents representing seven (7) organizations actually completed an interview either by phone (seven interviewees, with two interviewees representing the same organization being interviewed together) or in person (one interviewee). A representative of an eighth organization declined to participate in a live interview based on the questions asked, but provided sufficiently detailed answers to the interview questions with which the respondent was comfortable to be included in the sample. A representative of the ninth organization did not respond to follow-up efforts.

Per Appendix Two, interview questions primarily explored survey responses related to the purpose of the foundation as well as some of the rationales behind particular survey responses. For example, survey respondents were asked whether the foundation's mission statement had changed at all during the history of the foundation they represented; if they responded affirmatively, they were asked during the interview to tell the story of how this mission change came about, as well as when and why. Other questions were intended to explore issues that were not well addressed in the survey format: for example, interviewees were invited to enumerate how the foundation's board and committee structure developed and changed (if at all) over time, a question that would have been an open-ended essay question on the survey and thus more likely to be skipped than a multiple choice or otherwise close-ended question.

Once the researcher scheduled interviews with survey respondents who consented to be contacted, the interviewer forwarded the interview questions but informed each interviewee

that his or her responses might lead to follow-up questions. All but one of the interviews were recorded, transcribed and summarized for analysis. During the interview that was not recorded, detailed notes transcribed in outline form immediately after the interview took the place of the transcript during the analysis phase.

Kvale (2007, p. 80) offers several indicators of a quality interview, among which are “[t]he extent of spontaneous, rich, specific, and relevant answers from the interviewee,” noting also that “[t]he shorter the interviewer’s questions and the longer the respondents’ answers, the better.” The design of the interview questions was intended to follow these guidelines (among others suggested by Kvale) as closely as possible. Interviews varied in length from 40 minutes to 70 minutes, with most in the 50-60 minute range.

The last question for the interview concerned the prospect of reviewing documents from each organization’s archives; all but two interviewees representing an organization that maintained archives refused, citing the inconvenience, the inaccessibility of the archives, or their discomfort with a stranger reviewing potentially sensitive information. Of those two that agreed, efforts to arrange the archival review were unsuccessful.

Analysis of grantmaking, Board membership and reported mission or purpose: For each of the survey respondents who identified the foundation he or she represented, all available Form 990PFs from public databases such as GuideStar and Foundation Center from 2001 through 2014 were obtained.

Respondents were sorted into three groups based upon the difference between their survey ratings of family purposes and social impact purposes (higher family, relatively balanced, and higher social impact). Because of the small sample size, statistical testing for significant differences proved impossible in many cases, but direction and relative magnitude of differences served as the basis for much of the analysis.

Analysis of public documents: Bowen (2009, p. 29), notes that “[t]he rationale for document analysis lies in its role in methodological and data triangulation...” To the extent that each foundation included details in any affirmative response to IRS 990PF question 3 of Part VII-A⁶⁵, the documents detailing those changes were reviewed, along with published annual reports, grantmaking guidelines, information on the purpose and history of the foundation, or any other documents that each foundation had made public.

Data Analysis

To analyze the results of the survey, the data were first imported from SurveyGizmo into Excel. As noted above, the survey sample was then sorted into three groups based upon differences between ratings of family and social impact purposes: relatively higher family purposes (where family purposes were rated either more highly or fewer than two points below social impact purposes), balanced (where social impact purposes were rated two points above family purposes) and relatively higher social impact purposes (where social impact purposes were rated more than two points higher than family purposes).

Although the interviews followed a question and answer format, the responses tended to follow a narrative that touched upon:

- 1) The purposes of the foundation;
- 2) The history of the foundation as informed by the purposes of the foundation;
- 3) The rationale behind the mission; and
- 4) The involvement of family.

Accordingly, a quantitative analysis based on the number of times that family or social impact purposes were mentioned positively was completed but proved of little utility, so

⁶⁵ “Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? If “Yes,” attach a conformed copy of the changes” (United States Internal Revenue Service, 2014).

Dialogical Narrative Analysis (Frank, 2012, p. 46f.)⁶⁶ was then used to analyze key themes that emerged within and across interviews; among other things, Dialogical Narrative Analysis allows a researcher to build a typology of stories, then explore the frequency of and variation within that typology. As the author notes (Frank, 2012, p. 34), DNA “...sustain[s] a tension between dialogue and analysis.” To complement that review, a rhetorical analysis of each interview (Feldman & Almquist, 2012, p. 211) was also completed, which entails four (4) steps to identify implicit themes across narratives:

- 1) Identify stories
- 2) Describe story lines
- 3) Identify oppositions
- 4) Construct syllogisms and identify which syllogisms have implicit statements.

The resulting themes were recorded and compared across interviews, with particular attention to differences between the three groups in terms of the narratives they presented.

Variables and Sources of Data

Following is a brief discussion of each dimension examined through this process as well as its operationalization.

- 1) *Focus of foundation*: This relates to the relative importance the trustees ascribe to family purposes and social impact purposes, both as defined above. The survey obtained trustees’ perception of the relative importance of each focus for the foundation they represent and each respondent organization’s mission statement was rated for relative emphasis on family or philanthropic purposes.

⁶⁶ This is not to be confused with Dynamic Narrative Analysis, discussed further below.

- 2) *Grantmaking priorities*: This was ascertained by the program areas in which the organization currently makes grants, as confirmed by published grantmaking guidelines as well as by the descriptions of each grant in each organization's IRS Form 990-PFs.
- 3) *Board structure and membership*: This was assessed in terms of eligibility bases, including definition of family⁶⁷; generation stage of the current family trustees; and presence and role on board of: the founder⁶⁸, family members (however the organization defines them), experts/technicians (defined as individuals who serve on the board primarily for the technical skills, connections or experience they offer; trusted advisors (defined as individuals serving primarily because of their relationship with the family or founder); and community leaders (defined as individuals with a clearly defined leadership role in the community outside of their membership on the board.
- 4) *Board development efforts*: Survey and interview questions revealed whether the board employs formal efforts to prepare successors, informal efforts or none at all.
- 5) *Mission/program stability*: Again survey and interview results as well as publicly available materials were reviewed to reveal the degree to which (if at all) the mission or program focus of foundations represented by respondents had changed.
- 6) *Presence and role of staff*: Information was compiled from IRS Form 990PFs for each organization regarding the positions that staff hold (such as CEO, coordinator, or counsel),

⁶⁷ Flather et al. (1997, p. 5) note that determining who is or is not a family member for purposes of eligibility for board service is a critical question for any family foundation; it can also be a source of significant conflict (Stone D. , 1997, p. 40ff.). Gast & White (2001, p. 25f.) note that as of 2000, only 34% of the family foundations surveyed formally defined "family" and only 15% employed a formal selection process. Yet, even the informal processes and definitions can yield significant insight into board structure and function.

⁶⁸Block and Rosenberg (2002, p. 364ff.) assert that organizations led by founders differ from organizations not so led in several key areas, including frequency of board meetings and setting meeting agendas. Although not a primary focus of the study, the presence and role of the founder on the board is a critical point to note.

- whether they are full-time or part-time, and whether they are family members (based on their name or other contextual evidence).
- 7) *Number of grantees and program areas:* This included a count of the unique number of grantees during the period under review as a percentage of all grantees during the same period. Also relevant here was the number of specified discretionary and legacy grants the organization made (if any) during the review period. This information was collected from IRS Form 990PFs for select survey respondents and their peers for the period from 2001 through 2014.
 - 8) *Similarity to peers/model organizations:* For each organization that identified peers and models/leaders within its field, publicly available data were reviewed to determine the degree to which respondents resembled those peers and leaders in terms of board composition and grantmaking patterns, including repeat awards. Survey items also sought to gauge trustee perceptions of the existence and usefulness of best practices within the field. Also relevant here was the degree to which each organization participated in trade and membership associations.
 - 9) *Founding conditions:* The year the organization was founded and the state within which it was founded were used as proxies for founding conditions. The survey also asked trustees to rank the most critical external factors in determining the structure and function of the organization at its origin, based on their own understanding of the organization's history; examples of such features included legal/regulatory issues, actions by peers of the donor, or donor knowledge of issues of particular importance to him or her.
 - 10) *Uncertainty levels:* As proxy for uncertainty levels, interview questions were included regarding the degree to which trustees perceive that programmatic grantmaking strategies are clear. Also included were questions regarding trustee perceptions of the effectiveness of

the mission statement in guiding the organization's activities and the frequency with which the mission has been reviewed for potential revision, as well as the number and scope of actual revisions.

The information to populate these variables was collected from IRS 990-PFs and material published by the foundation, as follows:

- 1) *Grantmaking*: The following variables operationalized the review of grantmaking activity:
 - a) Number of discrete grantees by year to determine the rate of change during the review period (as a proxy for focus);
 - b) Number of and percentage of total grants made to repeat grantees year-over year, as a proxy for stability.
 - c) The purpose of the grant (where indicated), sorted into five broad categories:
Discretionary, legacy, restricted not elsewhere classified, or unrestricted not elsewhere classified. This was intended as a proxy for support strategy.
 - d) Fair Market Value of Net Assets (as a proxy for foundation size).
- 2) *Board membership*: The analysis of board membership included the following variables:
 - a) Duration of board member tenure, classified by family and non-family members: Non-family members were identified as those who had a professional affiliation listed but did not share a surname with the family(ies) currently serving on the board. As a cross-check on this inference, compensation paid to board members was reviewed, under the theory that members serving on the board because of their technical expertise would be more likely to receive Director Fees. Finally, archives made available via the Foundation Center Archive collection located at the Ruth Lilly Library were reviewed for references to board members and their relationship to the family.
 - b) Length of service of board members, as a proxy for board stability.

3) *Reported mission or purpose*: Where available, mission statements were collected from foundation websites or Foundation Center archives. Where those were not available, the brief mission included in the IRS Form 990 was reviewed. In addition, Part VII-A (Statements Regarding Activities), Question 3 of the of the IRS Form 990PF asks, “Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? If “Yes,” attach a conformed copy of the changes” (United States Internal Revenue Service, 2014, p. 4). This variable was included in the analysis as a check on responses to survey questions regarding changes to the mission statement. If the answer to this question was yes, the submitted attachment was reviewed to determine if the change impacted the mission of the organization, the grantmaking guidelines, or the composition of the board of directors. Typically, they did not.

Challenges and mitigators

The following elaborates on the challenges encountered during the data collection process of the research as well as the mechanisms by which those challenges were mitigated.

Respondent understanding of family and social impact purposes: Of each of the variables set forth above, arguably the most amorphous is the variable of primary interest—the degree to which family foundation trustees perceive that the organization they serve fulfills family-oriented and/or social impact-oriented purposes. Efforts were made to define these clearly in both the survey and the interview protocol. While all survey respondents may not have had a clear understanding of the definition of each of those purposes, interviewees were very clear on the definition and understood both the survey question and interview question relating to it as the researcher intended them to be understood. Pilot survey respondents who agreed to debrief also indicated that the definition of each of these purposes was clear to them.

Securing survey responses: The initial sampling strategy for this study involved outreach to family foundation trustees reachable through the roughly 2,000 subscribers to the National Center for Family Philanthropy's *Family Giving News*. An announcement regarding the availability of the survey, using the language set forth in Appendix Three, was posted in *Family Giving News* in February 2013. This resulted in only two usable responses, which were not included in the final sample because of subsequent changes to the survey. Soon thereafter, a staffer at the National Center for Family Philanthropy suggested reaching out to Regional Associations of Grantmakers and associations serving grantmakers that focus on specific issues and populations (Maher, 2013). Accordingly, the Forum of Regional Associations of Grantmakers as well as associations of grantmakers devoted to addressing the needs of specific populations (such as Grantmakers for Education), as well as Grantmakers for Effective Organizations, were approached; each posted an announcement of the survey's availability to their websites, but again, this generated no responses. Finally, as noted above, the Indiana Philanthropy Alliance and the Council of Michigan Foundations were approached. Both agreed to send personal invitations from the appropriate staffer to their family foundation members, based on an e-mail drafted by the researcher (see Appendix Four). In Indiana, the researcher was also able to follow up with offers of assistance to facilitate completion of the survey and to answer any questions prospective respondents might have had. This approach led to all of the usable survey responses in the sample.

Small sample size and prospect of sampling bias: Onwuegbuzie and colleagues (2004) suggest that the minimum sample size for a causal-comparative study such as this one would be 64 participants; obviously, the sample size (twenty-two responses representing nineteen (19) separate organizations) is well below that. As noted above, this issue was mitigated somewhat with analysis of a range of additional information for each individual survey respondent who

identified the foundation he or she represented. If the survey respondent did not answer this survey question, of course, such was impossible, but only one (1) respondents who furnished an otherwise usable survey did not identify the foundation the respondent represented.

Still, these efforts do not offset the unavoidable sampling bias that arises from working through regional associations of grantmakers rather than through, for example, the National Center for Family Philanthropy (which may serve users who, although they may share an affinity with other family philanthropists, may not join regional associations because of a desire for privacy). More generally, respondents identified through regional associations of grantmakers could differ significantly from non-respondents who do not participate in any association at all. As noted above, however, no other sampling strategy led to a non-trivial number of responses. Moreover, as this is arguably exploratory research, the results of this study can and should be replicated more broadly.

Interview mode: While face-to-face interviews are clearly more desirable than phone or Skype interviews, the majority of interviews were conducted in the latter two modes, with only one interview conducted face-to-face. As the literature suggests, that interview was much richer in terms of non-verbal content and the degree to which the interviewee elaborated on short answers in response to silence from the interviewer. More generally, different trustees may be reasonably expected to differ with regard to the completeness and candor of their interview responses by phone, but identifying and determining the impact of those individual differences is impossible with such a small number of interviews. In addition to access to gatekeepers, the limitation of the sample to Indiana and Michigan was also intended to allow for a greater number of in-person interviews than would be possible with a broader geographic sampling frame, but most interviewees assented instead to interviews by phone. This must be

acknowledged as a limitation of this research to be addressed in future replications, but the interviews did yield sufficient information to complete the necessary analyses.

No archival reviews completed: Most interviewees viewed the prospect of archival review as unduly intrusive. Two interviewees agreed in principle to archival review but noted that their archives include the corporate documents required by law and regulation, but not much else; subsequent efforts to access those archives proved unsuccessful. Accordingly, publicly available documents for each survey respondent were reviewed instead, with a particular emphasis on respondents who participated in interviews.

Conclusion

Because of the importance of both qualitative and quantitative analyses to this survey, the next chapter will review the quantitative results relating to the analysis of grantmaking, board membership and organizational purpose ratings. The subsequent chapter will report qualitative results relating to the hypotheses set forth in the first chapter, based on the eight (8) completed interviews. Finally, to explore some of the research themes in more detail, three case studies of individual organizations (one from each sample group) follow. These analyses and case studies are then integrated and further discussed in the final chapter, which also includes a discussion of limitations and suggestions for future research.

CHAPTER FOUR

QUANTITATIVE RESULTS

Introduction

As the literature review demonstrates, both family and social impact purposes are factors in family foundation trustees' decisions affecting the mission, function and priorities of the organizations they represent. If organizations differ on the degree to which they emphasize one or the other, then the organizations should be different in other ways.

The previous chapter set forth the ways this study was intended to test these differences:

- 1) *Purpose ratings*: Fundamental to the study is whether family foundation trustees differ meaningfully in terms of their assessment of the importance of family purposes and social impact purposes.
- 2) *Board membership*: Family-purpose oriented organizations should see more family members on the board with longer tenure, while non-family member involvement and length of service on the board should be greater for social impact-oriented organizations. Other features of the board should also vary along this continuum, including requirements for family service on the board in organizing documents, content of efforts to prepare successors, and relative attention the board devotes to grantmaking vs. (for example) engaging potential and new board members.
- 3) *Mission and purpose*: Family oriented organizations should be more likely to reference family in their mission statement, while social impact-oriented organizations should be more likely to reference the founder or the specific issue that the foundation seeks to address. Respondents from family oriented organizations should also rate family-related

purposes for the foundation more highly than social impact purposes and the opposite should be true for social impact organizations. To the extent that either group has a lower probability of a formal mission statement, it should be the family-focused organizations, as arguably the enactment of their own philanthropic priorities should not necessitate (and may in fact be constrained by) a formal mission statement. Also, again to the extent that the groups differ, the founder should be more likely to have created the mission statement for social impact-focused foundations, and the family or board (presuming the board is primarily composed of family) should be more likely to have created the mission statement for family-focused foundations. Finally, to the extent that mission statements change at all within the sample, they should be more likely to change for foundations with an emphasis on family purposes.

- 4) *Grant making*: Because family members on boards of foundations oriented to family purposes are encouraged to pursue their own philanthropic priorities, the greater should be the range of grantees, program areas and grant purposes, compared to foundations oriented to social impact purposes. Organizations with social impact purposes should also be more likely to employ non-family staff, *ceteris paribus*
- 5) *Participation in networks*: Social impact purpose-oriented organizations should be more likely to belong to associations emphasizing effective philanthropy (Grantmakers for Effective Organizations, for example). Family-purpose oriented organizations should be more likely to be involved in trade associations emphasizing family philanthropy (National Center for Family Philanthropy, for example). Since respondents were recruited through their Regional Association of Grantmakers, there should be no difference between the groups in terms of their engagement in such organizations.

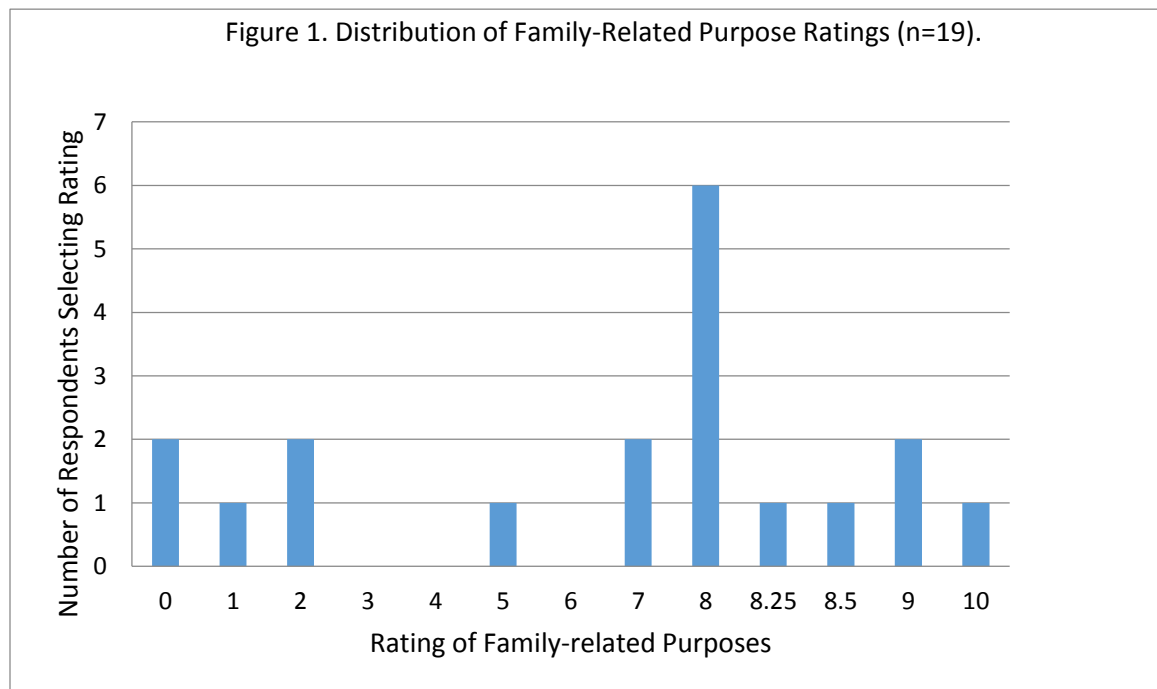
- 6) *Identification of and similarity to peers:* Organizations with family purpose orientation will identify organizations with similar family purposes as peers, as determined by their comments in survey responses. Because they will be less sensitive to external pressures if family priorities guide grantmaking rather than the desire to impact a specific issue or problem, family purpose-oriented organizations should show less similarity to peers in terms of grantmaking and board structure than social impact purpose-oriented organizations will show to their peers.
- 7) *Organizational narrative:* The narrative presented by interviewees and by materials published by each type of organization (including annual reports and mission statements) should differ according to their relative rating of family and social impact purposes. While all organizations should be as likely to discuss their impact, the narrative for family purpose-oriented organizations will devote more attention to family history, family values and the geography of the family, while social impact-oriented organizations will devote more attention to founder history, founder values and the geography of the founder as well as the causes they are pursuing.

This chapter will examine prediction sets 1 through 6, while prediction set 7 will be explored in the next chapter. Following three brief case studies of particularly illuminating organizations, the final chapter will include discussion of limitations and suggestions for future research.

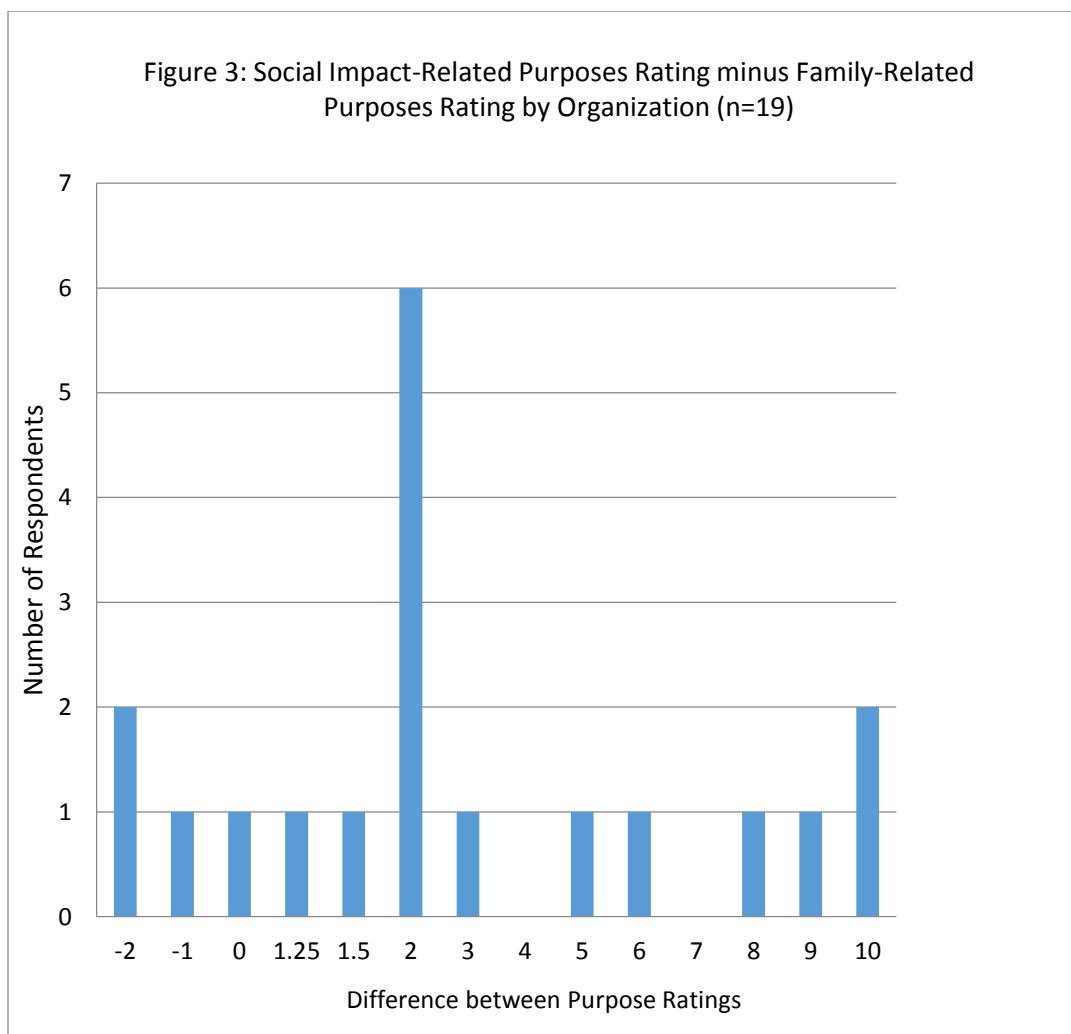
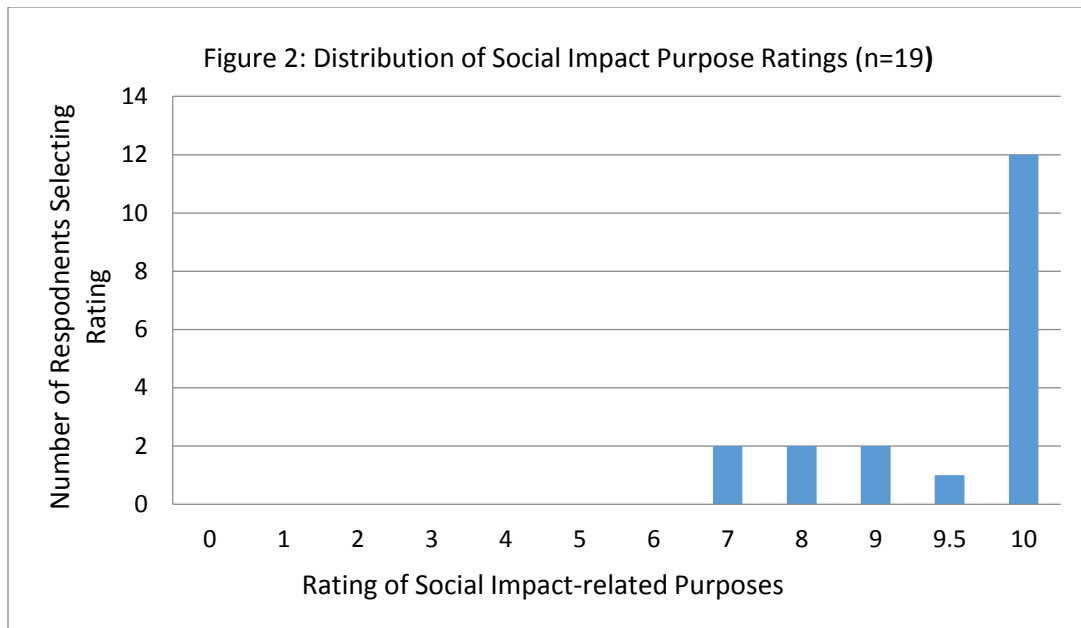
The final research sample included 23 survey responses from nineteen (19) foundations, who identified a total of thirty-two (32) peers. Among survey respondents, representatives from eight (8) organizations completed interviews or provided written interview responses and six (6) made at least some information available on websites, which the researcher supplemented with information from Foundation Center archives available for select organizations through IUPUI's

Ruth Lilly collection. Three survey respondents are also featured in the case studies appearing in Chapters 6 through 8.

Participants rated the importance of family and social impact purposes separately, with ten (10) representing the highest level of importance. Participants were able to rate either item at zero, indicating that the purpose so rated was of no importance whatsoever. Across respondents, both purpose ratings as well as the difference between purpose ratings exhibited considerable skew (as well as a truncated range in the case of social impact ratings), as shown in Figures 1 through 3 below:⁶⁹



⁶⁹ The ratings that are not whole numbers represent means across multiple surveys submitted by board members representing the same organization.



As examples of how the numbers in Figure 3 were derived, two (2) organizations rated family purposes two points higher than social impact purposes (and therefore appear in the chart at -2 on the x-axis), while one rated them as equal (and therefore appears in the chart at zero on the x-axis). Because the predictions above hinge on the relative difference between ratings of social impact and family purposes (rather than the actual ratings), the sample was sorted into three groups based on that difference:

- 1) Group One: Family purpose-oriented (social impact rating minus family rating less than two): six (6) respondents;
- 2) Group Two: Balanced (social impact rating minus family rating equal to two): six (6) respondents;
- 3) Group Three: Social impact purpose-oriented (social impact rating minus family rating greater than two): seven (7) respondents.

Accordingly, the following examines differences between these three groups on each of the dimensions set forth above. Each sample was also compared to its self-identified peers as a group (Group One was compared to all of the peers identified by Group One respondents, for example). Because of the small sample size, statistical significance proved often (though not always) elusive; however, the story—in terms of directionality of differences and how the organizations present themselves in narrative—is one that suggests several avenues for future research.

Summary information

Table 2 below provides an overview of key demographics for the twenty foundations represented by all survey respondents as well as their self-identified peers, with respondent ratings of family and social impact purposes and group number for each respondent included for reference. With one exception, each respondent completed a survey. Those who were featured

in interviews and case studies are so designated. Table 3 sets forth demographic information for the 35 family foundations identified by survey respondents as peers.

Table 2. Select sample characteristics

ID	Sample Group	Family rating	Social Impact rating	Difference	Endowment range	Board size ⁷⁰	Decade founded
S1	S1	9	7	-2	\$4 to \$7 million	11	1910s
S2	S1	10	8	-2	\$2 to \$4 million	7	1990s
S3	S1	8	7	-1	\$1 to \$2 million	4	1990s
S4	S1	9	9	0	\$10 to \$15 million	5	1990s
S5	S1	8.25	9.5	1.25	Less than \$1 million	2	2000s
S6	S1	8.5	10	1.5	\$3 to \$6 million	4	2000s
S7	S2	8	10	2	\$1 to \$3 million	5	1990s
S8	S2	8	10	2	\$10 to \$15 million	8	1990s
S9	S2	7	9	2	\$3 to \$6 million	17	2000s
S10	S2	8	10	2	Less than \$1 million	2	1960s
S11	S2	8	10	2	\$150 to \$170 million	3	1980s
S12	S2	8	10	2	\$400 to \$600 million	45	1930s
S13	S3	7	10	3	\$1 to \$3 million	4	1990s
S14	S3	5	10	5	\$150 to \$170 million	8	1960s
S15	S3	2	8	6	\$3 to \$6 million	22	1940s
S16	S3	2	10	8	\$80 to \$100 million	15	1930s
S17	S3	1	10	9	\$1 to \$3 million	8	1980s
S18	S3	0	10	10	Less than \$1 million	3	1990s
S19	S3	1	10	10	\$3 to \$6 million	4	1990s
S20 ⁷¹	NA	NA	NA	NA	Less than \$1 million	4	1950s

⁷⁰ This represents the number of board members serving during the period from 2001-2014.

⁷¹ This respondent did not complete a usable survey but did complete an interview.

Table 3: Peer characteristics

Identifier ⁷²	Group ⁷³	Endowment Range	Board Size	Decade Founded
1p1	P1	\$10 million to \$15 million	6	1980s
1p2	P1	\$10 million to \$15 million	6	2000s
2p1	P1	Less than \$1 million	5	2000s
2P2	P1	\$10 million to \$15 million	6	1980s
4P1	P1	\$200 million to \$400 million	8	1990s
4P2	P1	\$200 million to \$400 million	55	1990s
4P3	P1	\$3 million to \$6 million	10	1960s
5P1	P1	\$1 million to \$3 million	7	1990s
5P2	P1	\$10 million to \$15 million	6	1980s
5P3	P1	\$400 million to \$600 million	45	1930s
7P1	P2	Less than \$1 million	4	1990s
7P2	P2	\$3 million to \$6 million	10	1960s
8P1	P2	\$200 million to \$400 million	10	1970s
8P2	P2	\$6 million to \$10 million	8	1960s
8P3	P2	\$3 million to \$6 million	7	1980s
9P1	P2	\$1 million to \$3 million	4	1960s
10P1	P2	\$15 million to \$20 million	4	1980s
10P2	P2	\$10 million to \$15 million	14	1970s
10P3	P2	\$50 million to \$80 million	6	1990s
11P1	P2	\$3 million to \$6 million	4	1980s
11P2	P2	\$150 million to \$170 million	8	1950s
12P1	P2	\$170 million to \$200 million	14	1950s
13P1	P3	Less than \$1 million	7	1990s
13P2	P3	\$8 million to \$10 million	5	1960s
13P3	P3	Less than \$1 million	10	1960s
14P1	P3	\$10 million to \$15 million	14	1970s
14P2	P3	\$100 million to \$120 million	16	1950s
14P3	P3	\$120 million to \$150 million	14	2000s
14P4	P3	\$40 million to \$60 million	47	1990s
14P5	P3	\$170 million to \$200 million	38	1920s
15P1	P3	\$3 million to \$6 million	9	1970s
15P2	P3	\$20 million to \$40 million	13	1960s
16P1	P3	\$120 million to \$150 million	23	1940s
16P2	P3	\$20 million to \$40 million	12	1990s
19P2	P3	\$10 million to \$15 million	4	1970s

⁷² The first number represents the respondent who names the organization as a peer, while the second number represents the order in which peers were named by the respondent. Thus, 1P1 was the first peer named by survey respondent 1.

⁷³ Here, the P designates the organization as a named peer while the number represents the group to which the respondent naming the peer belongs. Thus, Group P1 consists of all the peers named by members of Sample Group One.

Table 4 sets forth a brief summary of the ratings and two key demographic factors by group, with the overall means for each variable included for reference:

Table 4. Select sample group characteristics

Group Number	Mean Family Rating	Mean Social Impact Rating	Median of Average Net Assets from 2001-2014 ⁷⁴	Median Age as of 2016
1	8.79	8.42 ⁷⁵	\$2,760,694	20.5
2	7.83	9.83	\$6,818,750	32
3	2.43	9.71	\$4,686,345	32
All	6.14	9.34	\$3,261,062	26

Question 1: Do the three groups differ significantly according to their ratings of family purposes and social impact purposes and do they NOT differ in terms of net assets and age?

Because of the small sample size and non-normal distributions, Student's T-tests were the most appropriate mechanisms to test for differences between these groups on each of these dimensions. Table 5 sets forth the results of those statistical tests: Each value in the table is a probability level that the difference could occur by chance (rather than the actual T-statistic). Each of the relationships in this chapter are tested for significance at no more than the $p < .10$ level because of the small sample sizes and exploratory nature of the research, with lower p-values noted. Note that significant differences are predicted between groups one and three on family and social impact ratings but no significant difference between these groups with regard to average net assets or age (thus confirming whether age and endowment size are potentially competing explanations for differences in the variables of interest):

⁷⁴ Medians are used because of large outliers on each of these datasets.

⁷⁵ Although the mean for social impact-oriented purposes in Group One is roughly equal to the mean for family-oriented purposes, the difference between social impact and family purpose ratings by each member of Group One is less than 2.

Table 5. Test of differences between groups on purpose ratings and other characteristics

Test	Group One vs. Group Two	Group Two vs. Group Three	Group One vs. Group Three
Family-oriented purpose rating ⁷⁶	p<.05	p<.001	p<.0001
Social Impact-oriented purpose rating ⁷⁵	p<.08	p<.37	p<.04
Average Net Assets from 2001-14 ⁷⁷	p<.22	p<.39	p<.21
Age as of 2016 ³	p<.70	p<.93	p<.64

All three groups differ significantly from one another ($p<.05$) in their rating of the importance of family-oriented purposes, with the directionality of the results as predicted (Group One higher than Group Two, Group Two higher than Group Three). Groups 1 and 3 significantly differ on their social impact ratings ($p<.05$), and Groups 1 and 2 differ at $p<.10$, again with directionality as predicted. No significant difference on social impact ratings appears between Groups 2 and 3. Note also that the groups do not significantly differ with regard to average net assets or age. The fact that neither rating on average approaches zero suggests that these are meaningful concepts for family foundation trustees, while the difference between the three groups suggests that individual differences do exist along these dimensions.

Question 2: How do Boards of Directors vary by difference between purpose ratings?

Dimension One—Composition: Table 6 below sets forth the values of variables of particular interest by Sample Group.⁷⁸ Except for the number of members, the variables are expressed as percentages because of the substantial variation in board sizes and the prospect of losing confidentiality if board sizes were enumerated. If in fact, differences between respondent ratings of family and social impact purposes have implications for board composition, then the data should show a higher degree of family representation on boards represented by respondents that rate family purposes relatively higher than social impact purposes—at a

⁷⁶ One-tailed distribution, unequal variance.

⁷⁷ Two-tailed distribution, unequal variance.

⁷⁸ Table 26 in Appendix Five sets forth composition of each board of directors in the sample.

minimum, this should result in significant differences between Group One (Family Purpose-Oriented) and Group Three (Social Impact Purpose-Oriented). Intuitively (but not for any particular theoretical reason), each variable for Group Two might fall between the numbers for groups 1 and 3. In fact, that is not quite what happens.

Table 6. Select board characteristics by group

Variable	Group One	Group Two ⁷⁹	Group Three	Overall
Total number of members from 2001-2014	5.50	13.33	9.14	9.31
Mean percentage of identifiable family members	86.44%	65.57%	68.57%	73.26%
Mean percentage of identifiable non-family members	9.02%	33.02%	31.43%	24.85%
Mean percentage of unidentifiable members	4.55%	1.11%	0.00%	1.52%
Mean Tenure of all board members ⁸⁰	11.90	7.71	13.04	11.00
Mean tenure of identifiable family members	9.94	6.08	8.85	8.31
Mean tenure of identifiable non-family board members	9.50	6.34	6.93	7.55
Mean tenure of family officers	8.92	6.29	3.95	6.26
Mean tenure of non-family officers	3.25	7.25	3.93	4.76
Reported average generation of family board members (with 1 representing the founding generation, 2 being the founders' children, and 3 being the founders' grandchildren)	1.99	1.66	2.42	2.03

In terms of directionality, as predicted, the boards of Group One have a higher percentage of family members than Group Three, but somewhat unexpectedly, both groups 2 and 3 have high percentages of family members (albeit not as high a percentage as Group One). Also as predicted, the percentage of non-family members is higher in Group Three than in Group One, but again, Group Two, which should fall between groups 1 and 3, actually has a greater

⁷⁹ In terms of number of board members, Survey 41 is a significant outlier, with 45 board members from 2001-2014. If it is backed out of the average for Group Two, the mean number of board members over the review period would drop to 7.

⁸⁰ All tenure numbers are expressed in years, since board member information was pulled from annual IRS 990s.

percentage of non-family members than both. Still, the directionality of the differences between Groups 1 and 3 is as predicted: higher ratings of family purposes correlate with a higher percentage of family board members, while higher ratings of social impact purposes correlate with a higher percentage of non-family members.

Through research to determine whether board members were family members, the majority of non-family board members could be classified as trusted advisor, professional (attorney, tax accountant, or subject matter expert), or community leader (a high profile individual within the community who may or may not have a direct connection to the founder or family trustees). However, the variation between Sample Groups with regard to the different subgroups of non-family board members was not significant. Accordingly, to maximize the prospect of detecting an effect, the tests below compare respondent organizations on percentage of identifiable family vs. identifiable non-family members of all kinds, with unidentifiable board members excluded from the analysis. The percentage of unidentifiable members was also tested between groups to confirm that no group had a significantly higher percentage. Only a limited number of these relationships reach (or flirt with) significance, per Table 7 below, which sets forth the result of T-tests comparing the groups:

Table 7. Significance tests for differences in board characteristics between groups

Test	Group One vs. Group Two	Group Two vs. Group Three	Group One vs. Group Three
Total Number of Members from 2001-2014	$p < .15$	$p < .30$	$p < .13$
Mean percentage of identifiable family members	$p < .13$	$p < .45$	$p < .14$
Mean percentage of identifiable non-family members	$p < .10$	$p < .50$	$p < .10$
Mean percentage of unidentifiable members	$p < .25$	$p < .20$	$p < .20$
Mean Tenure of all board members	$p < .05$	$p < .01$	$p < .01$
Mean tenure of identifiable family members	$p < .20$	$p < .20$	$p < .40$
Mean tenure of identifiable non-family board members	$p < .20$	$p < .50$	$p < .30$
Mean tenure of family officers	$p < .20$	$p < .21$	$p < .10$
Mean tenure of non-family officers	$p < .20$	$p < .20$	$p < .50$
Generation of family board members	$p < .40$	$p < .10$	$p < .25$

The differences in percentage of identifiable non-family board members between Group One and both Groups 2 and 3 are nearly significant ($p < .10$) and in the predicted direction. With regard to family officer tenure, a nearly significant difference also appears between groups 1 and 3 but between no other groups. Less intuitively, the difference between board member generation in Group One and Group Three is not significant, but the generational difference between groups 2 and 3 approaches significance ($p < .10$). The boards in Group Two are thus closer to the founder's generation than the boards in Group One (albeit not significantly so) *and* Group Three (at a level approaching significance). Thus, while the *foundations* do not differ with regard to their age, the *boards of directors* do indeed differ somewhat in terms of which generation the majority represent. This may be important as a potential mediating variable in results that were contrary to predictions. The sole significant ($p < .05$) set of differences between groups was in terms of tenure of all board members, which was not expected but may be a function of the number of organizations with small boards but long tenures.

Also with regard to composition, respondents were asked whether the bylaws or other governing documents for the organization required that family members serve on the board, since, presumably, family purpose-oriented organizations would be more likely to adopt such provisions than social impact purpose-oriented organizations. Table 8 sets forth the percentage of respondents in each group that indicated that *any* provision in the organization's bylaws required family service on the board, as well as the percentage of respondents that indicated that *no* such provision applied; none of these differences are significant. Also included is the single requirement for family service for which the difference between groups approached significance ($p < .10$), even though it does not conform to predictions:

Table 8. Requirements for family service by group

Provision	Group One	Group Two	Group Three	Sample Average
Some requirement for family service	25.00%	50.00%	28.60%	34.53%
No requirement for family service	75.00%	50.00%	71.40%	65.46%
Chair must be a family member	0.00%	33.33%	0.00%	10.53%

Dimension Two—Practice: If in fact boards systematically differ according to their rating of family and social impact purposes, then in addition to structure, they might be expected to differ in terms of specific board functions. Of particular interest is how respondents rate the relative attention that members devote to particular functions of the foundation. Following is a brief comparison of the three groups with regard to these items. For this question, 1 represents high attention, 3 represents low attention, and 4 represents not applicable, so the lower the value, the greater the level of attention that the respondents in the group pay to that function. In Table 9 below, items from this question are listed in order of the size of the sample average for comparison purposes:

Table 9. Ratings of importance of select board functions by group

Functions of the board	Group One mean rank	Group Two mean rank	Group Three mean rank	Sample-wide mean rank
Grantmaking	1.17	1.00	1.43	1.21
Strategic planning	2.125	2.50	2.14	2.25
Board development	2.75	3.00	2.86	2.87
Emerging practitioners	3.83	3.17	3.00	3.32
Nominations	3.79	3.67	3.00	3.46

Clearly, grantmaking is most important across all three groups (although the difference between groups 2 and 3 in that regard approach significance); however, per Table 10, at least some between-group variation still appears, as shown by t-tests between the variables:

Table 10. Significance levels of differences between groups on select board functions

Item	Group One vs. Group Three	Group One vs. Group Two	Group Two vs. Group Three
Grantmaking	$p < .30$	$p < .21$	$p < .10$
Strategic planning	$p < .50$	$p < .30$	$p < .25$
Board development	$p < .40$	$p < .40$	$p < .40$
Emerging practitioners	$p < .02$	$p < .10$	$p < .35$
Nominations	$p < .02$	$p < .40$	$p < .05$

Another way of articulating organizational priorities and values is through orientation. If orientation is intended to equip new board members with the most important knowledge they need, then family purpose-oriented organizations should emphasize family priorities and working together as a family, while social impact-oriented organizations should highlight founder priorities, strategy and process. In addition, social impact purpose-oriented organizations should be more likely to offer some form of orientation, under the rationale that if social impact purposes are more important, a specialized body of program knowledge must be transmitted to new members.

In fact, the picture is more ambiguous. Table 11 below lists the percentage of respondents in each group that reported the inclusion of a particular item in orientation. The focus column represents the type of organization that was expected to be more likely to include that particular item in orientation. Because so few of the variables are significantly different, no separate T-test table is included; rather, the items that are significant at the $p < .10$ level are italicized and the variables that are significant at the $p < .05$ level are bolded.

Table 11. Significance tests of select orientation items between groups

Orientation Item	Focus	Group One	Group Two	Group Three	Sample Average	Direction between 1 and 3 as predicted?
Foundation history	Family	0.33	0.50	0.29	0.37	No
Grantmaking Strategy	Impact	0.25	0.33	0.29	0.29	Yes, just barely
Founder Priorities	Impact	0.42	0.50	0.43	0.45	Yes, just barely
Foundation Priorities	Family	<i>0.25</i>	<i>0.50</i>	0.43	0.39	Yes
Foundation Mission/ Purpose	All	0.42	0.50	0.57	0.50	None predicted
Grantmaking Process	Impact	<i>0.25</i>	<i>0.50</i>	0.14	0.29	No
Ethics	All	0.17	0.00	0.00	.053	None predicted
Working together	Family	0.17	0.00	0.00	.053	Yes
Not Applicable (no orientation offered)	Family	0.58	0.17	0.42	0.39	Yes

As set forth in the right-hand column, the hypothesized relationships between emphasis on family vs. social impact purposes and specific orientation items receive mixed support at best, with only one variable approaching significance in the predicted direction. Although small sample sizes may be an explanation for lack of differences between groups in the sample, in this

case the lack of significant results could also be due to a truncated range problem, since 58% of Group One and 42% of Group Three offer no orientation at all. The lack of formal orientation among the family purpose-oriented organizations is not necessarily contrary to predictions if the boards (and families) in that group engage in a more informal orientation, but the high percentage of Group Three organizations that do not offer formal orientation was not predicted and weakens the significance of the difference between Groups in terms of practices.

Another element of practice -- whether or not an organization employs staff and the degree to which family members serve as that staff -- should be briefly noted here. Given that the three groups did not significantly differ with regard to endowment size, organizations with a social impact focus should be more likely to maintain professional staff to execute strategy as defined by the board. As for family purpose-oriented organizations, to the extent that they retain staff at all, they should be more likely to retain family as staff. Table 12 sets forth the percentage of each group that reports it currently employs staff as well as the percentage of staff who are family members:

Table 12: Employment of staff and percentage of staff that is family by sample group

Item	Group One	Group Two	Group Three	Sample Average
Employ staff	16.7%	50.0%	57.1%	42.1%
Percentage of staff that is family	100%	0%	56.3%	17.1%

Group One differs ($p < .10$) from both Group Two and Group Three in terms of having any staff, as predicted. As for the percentage of staff that is family, the relationship is impossible to test because only one organization in Group One employs only one staffer, but the direction is not quite as predicted: Group Three should be less likely to retain family as staff than Group Two, given its relatively higher priority on making an impact. However, this does not take into account the possibility that family members may have been hired for their own specialized expertise.

Dimension Three: Mission and purpose: A third set of predictions revolved around mission and purpose: survey respondents were asked whether the organization they represented had adopted a mission statement and by whom it was created, as well as whether the mission statement had ever changed. Table 13 sets forth the differences between Sample Groups in this regard (percentages do not total 100% because respondents could choose more than one option):

Table 13. Differences between groups with regard to mission statements

Variable	Group One percentage	Group Two percentage	Group Three percentage	Sample-wide mean
Percentage of respondents with mission statements	83.33%	83.33%	57.14%	73.68%
Founder developed mission statement	50.00%	33.33%	28.51%	36.84%
Family developed mission statement	16.67%	50.00%	14.29%	26.31%
Board developed mission statement	66.67%	16.66%	42.86%	42.11%
No change in mission statement	50.00%	50.00%	14.29%	36.84%

Thus, a lower percentage of Group Three respondents adopted mission statements, and of those organizations with mission statements, Group Three respondents were least likely to report that the mission statement had changed.

Respondents were also asked to report their understanding of the most important internal and external factors determining the mission and purpose of the foundation each represented at the time it was created, as set forth in Table 14. For these questions, the largest numerical value represents the greatest weight for that factor within the group:

Table 14. Rating by group of select internal factors in determining the structure and purpose of each foundation at the time it was created

Internal Factors	Group One mean	Group Two mean	Group Three mean	Sample-wide mean
Transmitting charitable values to the next generation.	6.21	1.00	4.71	4.01
Creating a structure for family giving.	4.21	4.50	2.57	3.70
Involving a broader range of family members.	2.46	0.00	3.86	2.20
Promoting family unity.	1.25	0.00	0.71	0.65

The only significant or near significant differences between groups are:

1. Between groups 1 and 2 ($p < .10$) and between groups 2 and 3 ($p < .01$) on involving a broader range of family members in the family's charitable efforts; and
2. Between groups 1 and 2 ($p < .01$) and between groups 2 and 3 ($p < .05$) on transmitting charitable values to the next generation.

As for social impact-related factors, Table 15 lists the means by group and sample-wide on the rating of the social impact factors included in the survey. Only one set of the differences below was moderately significant: Group One respondents differed from both Group Two and Group Three ($p < .10$) with regard to their rating of the founding donor's awareness of important social problems. Moreover, the relationship between Groups 1 and 3 on this dimension is in the opposite direction than what was predicted:

Table 15. Rating by group of select external factors in determining the structure and purpose of each foundation at the time it was created

External Factors	Group One mean	Group Two mean	Group Three mean	Sample-wide mean
The creation of family foundations by peers or role models of the founder	0.00	1.00	1.14	0.74
Desire to support particular causes important to the founding donor	5.83	6.67	7.43	6.68
Events that affected populations important to the donor	2.33	2.17	3.86	2.84
The founding donor's awareness of important social problems	6.17	2.00	3.71	3.95

Finally, per Table 16, the two items for which no difference (and a low priority) was predicted met both conditions, demonstrating that tax liabilities were considered largely irrelevant by the majority of respondents:

Table 16. Rating by group of tax-related factors in determining the structure and purpose of each foundation at the time it was created

Tax-related Factors:	Group One mean	Group Two mean	Group Three mean	Sample-wide mean
Changes in tax law	1.29	1.17	1.86	1.46
Desire to reduce tax liability	2.17	3.50	2.14	2.57

Dimension Four--Association engagement and interlocks: In general, family purpose-oriented organizations should be less likely than social impact-oriented organizations to participate in trade associations. Thus, the number of participations should vary between groups such that Group One has the lowest number and Group Three the highest, given the hypothesized importance of best practices to Group Three. However, to the extent that they do participate, family purpose-oriented organizations would be more likely to be involved in associations that emphasize the *family* nature of family philanthropy, such as the National Center for Family Philanthropy. Social impact-oriented organizations should be more likely to participate in associations in general and particularly in organizations that emphasize the practice and impact of philanthropy, such as Grantmakers for Effective Organizations. Because all respondents were recruited through two regional associations of grantmakers, no difference in this regard should appear between any groups. Table 17 sets forth the percentage of respondents in each group that indicated that they were involved in the organizations listed for this question:

Table 17. Association membership by group

Organization	Group One percentage	Group Two percentage	Group Three percentage	Sample-wide mean
National Center for Family Philanthropy	16.67%	50.00%	57.14%	42.11%
Council on Foundations	45.83%	16.67%	28.57%	30.26%
Philanthropy Roundtable	0.00%	0.00%	14.29%	5.26%
Grantmakers for Effective Organizations	0.00%	0.00%	0.00%	0.00%
Exponent Philanthropy	33.33%	0.00%	14.29%	15.79%
Regional Association of Grantmakers	95.83%	100%	71.43%	88.16%
Association emphasizing specific program area (Grantmakers in Aging, for example)	0.00%	0.00%	14.29%	5.26%
Mean number of participations	2.25	2.33	2.46	2.35

Only one of these relationships represents a moderately significant ($p < .10$) difference:

Reported regional association participation is greater in Group Two than in Group Three, even though it is the one area in which no difference would be expected. Moreover, the direction of the results is contrary to the predictions above, with more Group Two and Group Three respondents participating in National Center for Family Philanthropy but more Group One respondents participating in Council on Foundations (and none reporting participation in Grantmakers for Effective Organizations). In fact, the three groups are almost identical in regard to the number of formal trade associations in which they report being engaged. This may be due to the fact that each respondent was involved in at least one association and is therefore more likely to participate in more than one, but the range of reported participations within each group (from 1 to 4 in Group One, from 1 to 3 in Group Two, and from 0 to 4 in Group Three) suggest an unobserved variable's influence. One candidate for that unobserved variable will be discussed further in the qualitative chapter in the context of the interviews: participation in informal networks rather than formal associations.

Dimension Five--Similarity to self-identified peers and basis for identifying peers: As

noted earlier, a key component of this study is the existence (or not) of similarities between survey respondents and their self-identified peers. The purest form of that similarity would be board interlock, or overlap in board members between a respondent and its peers. A review of board membership among the nineteen (19) survey respondents and the thirty-four (34) organizations they identify as peers (which also includes several survey respondents) revealed a total of 22 interlocks (out of 388 total board members, or about 5.6%). However, per Table 18, those 22 board members represented only four sets of organizations, as follows:

Table 18. Board interlocks between survey respondents and their peers

Respondent/ Peer Number	S14/14P2 ⁸¹	S16/16P1/16P2	S8/8P1/8P2/8P3	15P1/15P2
Shared Board Members	2	9	6	5
Group	3	3	2	3

A second potential manifestation of similarities between respondents and their peers revolves around board composition. Generally, Group One should be least similar to any other Sample Group or Peer Group, but if Group One selected its peers based on similar emphasis on family purposes, then Group One and Peer Group One should each have higher percentages of family board members than any of the other groups, while If Group Three selected its peers based on similar emphasis on social impact, Group Three and Peer Group Three should have similar levels of non-family representation on the board. Again, Group Two and its peers might fall between the other two groups. Table 19 below sets forth the actual percentages:

⁸¹ The first number represents the code for the survey respondent naming peers; the balance of the numbers represent the code for the peers named by respondents. Thus, for example, S14P2 is the second peer identified by survey respondent 53.

Table 19. Mean percentage of family, non-family and unidentifiable board members by group

	Family Board members	Non-Family Board members	Unidentifiable board members
Sample Group One	86.44%	9.02%	4.55%
Peer Group One	42.38%	40.48%	2.86%
Sample Group Two	65.57%	33.02%	1.11%
Peer Group Two	53.52%	39.02%	7.47%
Sample Group Three	68.57%	31.43%	0.00%
Peer Group Three	62.04%	32.19%	5.72%
Mean across Respondents and Peers	63.09%	17.72%	3.62%
Mean Across Peers	52.65%	21.77%	5.35%

Table 20 includes the p-values for t-tests of each of the combinations--again, marginally significant values ($p < .10$) are italicized and significant values ($p < .05$) are bolded:

Table 20. Significance tests of family/non-family differences between groups

Test	Number of Board members	Identifiable as family	Identifiable as non-family	Unidentifiable
S1 vs. P1	$p < .50$	$p < .05$	<i>$p < .10$</i>	$p < .40$
S2 vs. P2	$p < .50$	$p < .60$	$p < .80$	$p < .25$
S3 vs. P3	$p < .30$	$p < .75$	$p < 1.0$	$p < .05$
S1 vs. P2	$p < .15$	$p < .01$	$p < .05$	$p < .34$
S1 vs. P3	$p < .01$	$p < .05$	$p < .05$	$p < .50$
S2 vs. P1	$p < .40$	$p < .40$	$p < 0.75$	$P < .60$
S2 vs. P3	$p < 1.0$	$p < 0.85$	$p < 1.0$	<i>$p < .10$</i>
S3 vs. P1	$p < .30$	$p < .30$	<i>$p < .10$</i>	$p < 0.40$
S3 vs. P2	$p < .75$	$p < .60$	$p < .90$	$p < 0.16$

Thus, Sample Group Three and Peer Group Three have essentially identical percentages of non-family members on the board, and the percentages of family members are also extremely similar. Where they do differ is in terms of unidentifiable board members. Sample Group Two as well is very similar to its peers in terms of family vs. non-family composition. Moreover, Sample Group One differs significantly from peers groups 2 and 3 as well as from its own named peers in terms of both family percentage and non-family percentage.

Because the sample is larger when peers are included, differences in the specific type of non-family board members may be examined across sample groups and peer groups, although only a few significant differences appear. Table 21 lists the comparisons for which significant or nearly significant differences appear (The full table of group means appears in Table 27 in Appendix Five):

Table 21. Comparison of groups on role of non-family board members

Comparison	First Group ⁸² mean	Second Group mean	Difference	p-level
Sample Group One vs. Peer Group One: Trusted Advisor	4.17%	40.48%	36.31%	p<.05
Sample Group One vs. Peer Group Two: Professional	3.33%	20.75%	17.41%	P<.10
Sample Group One vs. Peer Group Three: Community Leader	1.52%	10.57%	9.05%	P<.05
Sample Group Two vs. Peer Group Three: Community Leader	1.48%	10.57%	9.09%	P<.10
Sample Group Two vs. Peer Group Three: Unidentifiable	1.11%	5.72%	4.61%	P<.10
Sample Group Three vs. Peer Group Three: Unidentifiable	0.00%	5.72%	5.72%	P<.05

Group Three boards (and their peers) would be expected to view engagement in networks as more important than the other two Peer or Sample Groups, a perspective which could result in more persons external to the organization (i.e. professionals and community leaders) serving on boards in these two groups. Accordingly, Peer Group Three and Sample Group Three should be similar to each other with regard to the percentage of professionals and community leaders serving on the board. In addition, both Sample Group Three and Peer Group

⁸² "First Group" refers to the first group listed in the Comparison column, so for the first row, Sample Group One is the First Group and Peer Group One is the second group while in the second row, Sample Group One is the First Group and Peer Group Two is the Second Group.

Three should have greater percentages of external members (Community Leaders or Professionals) than any of the other Peer or Sample Groups. Peer Group Three had a higher percentage of community leaders on its boards than either Sample Group One or Sample Group Two, again in line with predictions. Moreover, the *lack* of difference between Sample Group Three and Peer Group Three is in line with predictions. Peer Group One had a higher percentage of trusted advisors and professionals on the board than did Sample Group One, but this may simply be because Sample Group One selected its peers for reasons other than similarity between boards.

Question 3: How do grantmaking patterns vary according to the relative emphasis on social impact vs. family purposes?

The analysis below is based on organizations representing 62% of the total number of organizations in either Sample Groups or Peer Groups, as set forth in Table 22 below:

Table 22: Respondents and peers included in the analysis of grantmaking

Sample 1	Peer Group One	Sample 2	Peer Group Two	Sample 3	Peer Group Three
Respondents 2, 3, 5 ⁸³ , 6 ⁸⁴	Peers 1P1, 1P2, 2P1, 5P1	Respondents 7, 8, 9, 10,	Peers 7P1, 7P2, 8P1, 8P3, 9P1, 10P1, 10P3, 11P2, 12P1,	Respondents 13, 14, 15, 17, 18, 19	Peers 13P1, 13P2, 13P3, 14P4, 16P2, 15P1, 15P2

In total, during the period from 2001 to 2014 inclusive, the organizations included in this portion of the analysis made 19,516 grants totaling over \$790 million to 17,042 grantees.

If Group Three organizations exhibit more consistent and focused grantmaking than Group One, then the ratio of the number of grantees from the last five years of the review

⁸³ This represents three surveys submitted on behalf of one organization.

⁸⁴ This represents two surveys submitted on behalf of one organization.

period to the first five years of the review period should be equal to or less than 1. If Group One organizations exhibit less consistency and focus, then the same ratio should be greater than 1. Moreover, Group One foundations should be less similar to their peers in this regard than Group Three foundations to their peers. Table 23 lists the mean values for each Sample Group and Peer Group for the number and ratio of grantees from the beginning and end of the review period:

Table 23. Number and ratio of grantees in first five years to second five years by group

Variable	Sample Group One	Sample Group Two	Sample Group Three	Peer Group One ⁸⁵	Peer Group Two	Peer Group Three
Mean number of grantees for first five years of the grant period	28.28	14.65	69.80	18.20	14.65	103.76
Mean number of grantees for last five years of the grant period	25.08	18.35	57.83	18.96	18.35	122.50
Mean ratio of grantees from last five years to first five years ⁸⁶	1.05	1.42	0.80	1.05	1.05	1.26

Because of substantial within-group variance for all sample and peer groups, none of the differences in ratios proved significant, although Sample Group Two and Peer Group Two differed significantly ($p < .05$) in terms of the mean number of grantees for both the first and last five years of the review period. In terms of directionality, Group Three has a ratio of less than one, as predicted. However, Group One has a ratio only slightly greater than one, which is essentially identical to Peer Group One. Moreover, Group Two demonstrates the highest ratio across both Sample and Peer Groups.

⁸⁵Peer 2 of Survey Respondent 49 was excluded from this analysis because its number of grantees increased by nearly 1,600% between the two review periods, which is roughly 15 times more than any other member of this group.

⁸⁶ Because this number is the mean of each ratio in the sample, it is not equivalent to the ratio of the first two numbers in the table.

Summary and preview

The quantitative results in many respects raise more questions than answers, but unambiguous findings include the following:

1. The dimensions of family and social impact are perceived as meaningful by survey respondents, as neither was ranked (on average) at or near zero. Across the sample, however, the range of ratings for social impact purposes was from seven to ten, while ratings of family purposes ranged from zero to ten.
2. Groups and peer groups tend to vary more in terms of non-family representation than family representation, which is consistently high across both the sample groups and peer groups. This presages a theme in the qualitative results—regardless of how the respondent rated family purposes, discussion of family comprised a non-trivial proportion of almost all of the interviews.
3. Differences in the self-reported generation of board members (with the first generation being composed of the founder and founding board and subsequent generations being successively more removed from the founding board) may explain some of the inconsistent results between Sample Groups. In particular, the behavior of Group Two may be explained at least in part by member reports that on average, they were fewer than two generations from the founding board while Groups 1 and 3 were from later generations.
4. Although formal requirements for family representation were minimal, as were formal orientations, the qualitative chapter will explore the informal means by which family members in particular are both prepared for service and encouraged to serve. Those informal mechanisms provide some insight into the high percentage of family members across the sample.

5. With regard to foundation functions, as anticipated, grantmaking occupies the highest level of the board's attention. The difference between groups with regard to preparing emerging practitioners will be further explored in the next chapter.
6. The results around the existence of mission statements and reported changes in mission statements are completely contrary to predictions for reasons that will be explored in the next chapter.
7. In terms of foundation purposes, transmitting charitable values to the next generation was equally important to groups 1 and 3 but not Group Two, while creating a structure for the family's giving was relatively more important to groups 1 and 2. The importance that the founding donor ascribed to specific issues was a critical factor for all three groups and the direction of the (non-significant) differences is as predicted—Group Three rated this item more highly than Group Two, which rated it more highly than Group One.
8. With one exception, the results of the tests for grantmaking focus across Sample Groups and Peer Groups were not significant, but as anticipated, the ratio of the number of grantees from the last five years of the review period to the number of grantees at the end of the review period was less than one for Group Three and (marginally) greater than one for Group One.

The next chapter will set forth qualitative results resulting from interviews with board members representing eight (8) organizations. This will be followed by three brief case studies of organizations that illuminate specific aspects of the qualitative results. Finally, the concluding chapter will summarize the degree to which the qualitative and quantitative hypotheses find support while also setting forth limitations and suggested topics for future study.

CHAPTER FIVE

QUALITATIVE RESULTS

This chapter will focus on the qualitative information collected from interviews and qualitative survey questions. If the expectations hold true, there should be qualitative differences between interview responses with regard to the narrative they relate in terms of their purpose. For example, to the extent that the question and answer format does not interfere with the coherence of the story, the narrative for family purpose-oriented organizations should be relatively more focused on family history, impact, family values, and the geography of the family, while the narrative for the social impact-oriented organizations should particularly focus on impact, but also on the founder's values and the geography of the founder. Finally, efforts to prepare successors within family-focused foundations should emphasize the nature of family philanthropic values and how to implement them, while such efforts for social impact-focused foundations should emphasize building program knowledge.

Moreover, the previous chapter yielded several results that were counter to expectations. For example, the boards of directors of both the types of foundations and their peers consistently included a high percentage of family members, suggesting that the family aspects of family philanthropy could be more important than the numerical ratings suggest. In addition, the inconsistent results from Group Two suggest that factors other than those measured by the survey are relevant to this group (as well as, potentially, to the other two sample groups). Also, the survey questions regarding mission and purpose were impoverished by the necessity to collect comparable responses, and the questions regarding the basis on which respondents chose their peers were optional (albeit completed by nine of the nineteen

survey respondents) and formatted to encourage only the briefest of answers. Among other things, this means that the differences between Sample Group One and Peer Group One remain unexplained. Finally, one survey question regarding the importance of support by other foundations only offered a four-point Likert Scale response for what was a far more complex question. Each of these still to be understood issues is further illuminated by the eight (8) interviews completed for this study, which demonstrate that the underlying motivations and indeed, conceptions of family philanthropy are significantly more complex than the survey was able to capture.

As noted in the methods chapter, because the interviews were intended to build upon the survey results, interviewees were only selected from among survey respondents. Survey respondents were invited to indicate their willingness to participate in an interview by providing contact information (an e-mail address or phone number) for the individual survey respondent.⁸⁷ Interviews were scheduled with eight (8) of the nine respondents who provided information (efforts to connect with the ninth were unsuccessful) in order to collect as much qualitative information as possible. As Table 24 demonstrates, despite self-selection of interviewees, the interview sample includes at least one member from each Sample Group category and a range of endowment sizes and ages⁸⁸:

⁸⁷ Although all respondents were asked to provide the name of the foundation on behalf of which they were completing the survey, they were not asked to identify themselves unless they were interested in completing an interview.

⁸⁸ Five of the interviewees were from Indiana and three from Michigan. To protect confidentiality, the state of origin is not included in the table.

Table 24. Features of foundations represented by interviewees

Identifier	Interviewee Number	Endowment Range	Family Rating	Impact Rating	Board size range ⁸⁹	Group
20	1	\$500,000 to \$1 million	NA	NA	2-5	NA
3	2	\$1 million to \$2 million	8	7	2-5	S1
4	3	\$1 million to \$2 million	8	10	2-5	S1
6	4	\$5 million to \$10 million	8.5	10	2-5	S1
7	5	\$10 million to \$20 million	9	9	2-5	S1
8	6	\$10 million to 16 million	8	10	6-10	S2
12	7	Greater than \$100 million	8	10	More than 10	S2
18	8	\$2 million to \$5 million	1	10	6-10	S3
	Actual Means	\$59,407,912	7.21	9.43	10.375	

Moreover, several of these respondents manifest unique features that make them particularly useful illustrations for exploring the implications of differences in family-oriented and social impact-oriented foundations.

This chapter will begin with summaries of each interview. In order to preserve some level of comparability between interviews (and because the format and content of the interviews tended to follow this sequence), each interview summary is structured as follows:

1. Introduction
2. History and context

⁸⁹ As in the previous chapter, this represents all board members listed by the organization during the period from 2001 to 2014 rather than the size of the current board of directors.

3. Governance and mission (this section includes any discussion of efforts to prepare successors)
4. Strategy
5. Peers and networks; and
6. Conclusion.

These are followed by discussion of the degree to which the interviews bear out the hypotheses set forth above, as well as identification of common themes that were not predicted by either theory.

Interview Reports

Interviewee One (S20): Engagement beyond the grant/preserving the family nature of the foundation

Introduction: This interview was conducted with a board member of the foundation and the board member's spouse. The interviewee was thoroughly engaged in the philanthropic infrastructure of the city in which the foundation was located, but clearly articulated a commitment to maintain the family nature of the institution. The interviewee did not provide ratings for family or social impact purposes, but as the interview makes clear, the organization exhibits all the features of a Group One organization.

History and context: Founded in the 1990s and capitalized with a distribution from a "parent" foundation, the organization represented by Interviewee One (and Interviewee One's spouse, who also participated in the interview) was created with the intent of focusing more directly on the priorities of the original donor's spouse for that larger foundation, with the balance of the assets from the larger foundation being placed under the control of other family members to allow them to pursue their own philanthropic priorities. Today, the foundation represented by the interviewee focuses on human service organizations serving the community in which the foundation is located. Because the interviewee worked with one of the founders in

setting up and initially governing the foundation, she noted that she in particular was working to carry on the legacy of the original donors.

The organization that evolved into the parent foundation began with informal gatherings of the founding donor's family decades earlier, in which the founding donor (a businessman very active in his community) convened the family to review requests for financial assistance that he had received during the month. The gatherings represented opportunities for family members to get together regularly (as well as for the children to spend time with their father), but also opportunities for the family to collectively decide what organizations they wanted to support based on "...what touched our heart." This gathering was structured as a foundation "some time later." After the founding donor died (roughly thirty years after the initial informal gatherings were convened), the remaining board members (still all family members, including the wife of the founding donor) brought in the next generation.

At this stage, the board members began to differ on their approach to grant making. To that point, "[t]he focus was pretty general and really whatever hit each of the board members," but the interviewee, along with her mother, wished to accomplish specific goals through the foundation's grant making and feared that if the grant making related to those efforts was turned over to the larger foundation, "...it probably wouldn't be handled as well as it should be." To better address those priorities, the donor's spouse created a new foundation roughly thirty years after the original foundation was created with a portion of the original foundation's assets. As the interviewee noted, "We have a clear mission statement, and we certainly wanted to do site visits and [engage in work] that was a little more focused..." than other family members' approaches to philanthropy. Soon thereafter, the remaining assets of the original foundation were divided among the founding donor's children, and the interviewee rolled her

portion into the foundation created by her mother, based on their shared desire to focus grant making where it could make the greatest impact.

Governance and mission: The organization's mission statement is more appropriately discussed in the context of its strategy and therefore appears below. The foundation's initial governance included only family members (the founding donor's wife, the interviewee and her two children), with advisors managing both the organization's finances and its strategic planning efforts. The board remains entirely family today (that is, mother and children only, with the interviewee's spouse occupying a somewhat ambiguous role as a nonvoting member). One of the issues with which the board is currently struggling is expanding beyond this core of four members, particularly since the spouses of the two third-generation board members (with the mother of the interviewee as the first generation and the interviewee as the second) are not in a position to join the board, although the board is more than open to including them. The board has discussed two strategies to address this issue: engaging the next generation through a junior board (which is more of a long-term strategy given the ages of the children) and expanding beyond the family. As the interviewee noted, "We do need to grow. But we have been so close as a family that...to bring in someone else, it's really going to have to be a unique individual." The main barrier to the latter strategy thus appears to be the ability of a non-family member to integrate into the (to date) highly family-driven organization. Along similar lines, the organization's only executive director as of the date of the interview has been the interviewee's child, although the interviewee emphasized that the executive director's salary and the parameters of his position were developed with assistance from the Regional Association of Grantmakers. The interviewee also noted that with staff has also come formalization of processes, such that the grant review process, for example, is now guided by a matrix which

each board member completes individually, then discusses with the rest of the board to determine whether or not the applicant should be funded.

Strategy: *The* organization is set up as a trust, which is time-limited (even if that time-limit is likely decades off and can easily be extended). Accordingly, the board is conscious of its limited lifespan and worked with a strategic planning advisor six years ago to map out the impact that the organization should make within the next seven years, setting forth clear outcomes for the organization's grant making. As a result of that effort, the organization revised its mission statement to render it more specific and to emphasize that the foundation's desires to "build partnerships" with grantees beyond simply writing a check. For example, the organization crafted its own organizational development series for the foundation's grantees to help them more effectively serve their beneficiaries. The intent of the series (possibly informed by the board's consciousness of its limited lifespan) is to improve grantee sustainability through (for example) board development and fund development training. Grantees may participate in activities for up to three years, each year engaging more intensively in self-assessment and making efforts to address issues thus identified. After three years of participation, "graduates" can be invited back as mentors to newer participants in a conscious effort to build networks among the organization's grantees. In these ways, the foundation acts as not only a funder, but also a partner.

Peers and Networks: In terms of the foundation's own network, the trustees are engaged in both formal networks (through the Regional Association of Grantmakers, which provided critical input regarding how the foundation's peers have addressed specific issues) as well as an informal group of family foundations with similar interests (albeit with different strategies and sizes) that convenes quarterly to talk about their work and hear from foundations' grantees, occasionally collaborating on grants to presenting organizations. In

addition, the interviewees discussed the critical influence of a local philanthropic leader who acted as a convener and technical assistance provider to a range of family foundations. Thus, while formal networks are valuable, the informal networks appear to have had a greater influence on the organization's practice of philanthropy.

Conclusion: Although the organization has consistently moved toward greater formality in its grant making processes, it has placed a great emphasis on family governance. In addition, the interviewee is very clear about the importance of relationships with both its grantees and its peers.

Interviewee Two (S3): Carrying on a tradition of family engagement on the board

Introduction: Interviewee Two, a member of Group One, was the only interviewee (and one of only two organizations in the sample) to rate family purposes more highly than social impact purposes. Founded by the interviewee and the interviewee's mother in the 1990s, the foundation was closely associated with the family business and the family business's corporate foundation, although it is legally and financially separate from both. Since at the time of the interview, the board was preparing for the transition of the foundation's leadership to the next generation, that transition received a substantial amount of attention during the interview.

History and Context: During and after the interviewee's childhood, the family was not wealthy. In fact, the interviewee was only able to go to college because the interviewee's parents mortgaged their house (which the interviewee did not learn until many years later). However, the interviewee's family set a high value on giving back to the community; even though contributions of money were (at the time) out of the question, contributions of time were encouraged and even expected. Thus, even before the family had the resources to engage in financial giving, family members were actively engaged volunteers throughout the city in which the organization was founded. The interviewee's mother was the family's original

entrepreneur, creating the firm that became the source of the family's wealth, and her influence is still keenly felt by the board today. As the family business grew, the interviewee noted that the family figured out that "[w]e can not only give away time and talent, we can give some treasure. And we never thought we would be able to do that." This led to the organization of the family foundation in the 1990s, with the interviewee and the interviewee's mother as the initial trustees.

Governance and Mission: The interviewee noted at the outset that family purposes were rated more highly than social impact "...because what we've tried to do...is use this foundation as a real learning experience for the family." Developing the skills and will of the second and third generation (with the interviewee and spouse comprising the first generation) is of paramount importance as an organizational purpose. Yet, the foundation is also driven by a clear social impact purpose: "...if you're going to be part of a community, you need to pay back the community, civic responsibility and so forth." The organization is working to redefine its mission statement as it prepares for the transition to the next generation, with a particular emphasis on the intent of the founders. As the interviewee noted, "What we're trying to do is come up with words that in effect say, 'What do [Interviewee's spouse] and [Interviewee] want to do with this money?' With this important qualifier: That it be important to the [next generation of the] family."⁹⁰

With that background, the interviewee discussed how precisely the first generation is preparing the next two (since both generation 2 and generation 3 are engaged with the foundation). Key to that preparation is learning by doing: during the family's annual meeting, the family's school age children are given the opportunity to make the case for the foundation

⁹⁰ In context, this annotation is clearly implied, since the interviewee was discussing how the foundation is preparing for its operation after the interviewee and spouse are no longer active.

to direct grants to the charities of their choice. In doing so, they discover that giving money away is not easy and that giving money to a specific organization is easier if one is engaged with it.

Yet, while the opportunity for the descendants to exercise their philanthropic muscles was a key part of their preparation for the *practice* of philanthropy, the interviewee strongly believed that equally important to the second and third generation's *motivation* for philanthropy was the continued emphasis that the interviewee and spouse placed on engaging in philanthropy as a family. Thus, through the annual meeting and other ongoing mechanisms, the first generation of the foundation is regularly reinforcing the impact of what the foundation does and the importance of family engagement in continuing the efforts of the founders. As the interviewee noted, "We don't know it's going in [in context, what the children are actually learning and remembering], but it is, and it comes from our surrounding—primarily family..." A key issue for the founders has been garnering genuine participation from the next generations, as the interviewee noted that as grant decisions are made, the board is struggling with overcoming the perception that "OK, it [the board meeting] was a nice meeting, but in the end, here's what [interviewee] and [interviewee's spouse] are going to do with the money." The efforts outlined above represent their best ideas on how to avoid the perception that the rest of the board's opinion doesn't matter.

Strategy: Devoting foundation resources to causes identified by generations 2 and 3 comprises only a relatively small portion of the organization's grant making portfolio. Like others, the interviewee emphasized that the foundation supports organizations with which board members have personal connections, but also that can demonstrate an impact. For example, the interviewee referenced a school that the foundation has supported extensively over the years and a challenge that the school was facing in trying to build its alumni giving base.

The interviewee "...came up with the idea that when the kids got out of school, they should start giving back to the school," which the foundation facilitated by matching recent alumni contributions at a higher rate for new graduates, with the match rate diminishing over time as the graduates' careers (and presumably, incomes) grow. Through mechanisms like this, the foundation seeks to fulfill its charitable purpose while also creating opportunities for the trustees to engage with grantees on a meaningful level.

As the interviewee noted, the organization's assets will not be very substantial until after the death of the interviewee and the interviewee's spouse, at which point the proceeds of life insurance policies with the foundation as beneficiary and a substantial charitable remainder trust will be added to the foundation's endowment. Thus, the interviewee and his wife are in the process of discussing (both between themselves and with the board of the foundation) what sort of legacy they want to leave, particularly once those resources become available. In part to provide clarity for the next generation, the interviewee has drafted a memorandum intended to clearly express the interviewee's intentions to guide the foundation's efforts after the interviewee and spouse are gone. The memorandum is clear that the interviewee and spouse want the foundation to continue to support causes to which they donated during their lifetimes, but part of the memorandum provides for a review of the foundation's activity five years after the death of whichever spouse survives longer.

Also worthy of note is that like other interviewees, this one attaches importance to "...grantees who are constantly making available to [interviewee's spouse] and [interviewee] opportunities to stop by and chat." The interviewee referenced several recent events held by grantees and prospective grantees to which the interviewee and spouse were invited, including one potential applicant's event at which the interviewee fully expected the organization's leaders to present a case for support. Although the interviewee did not state this explicitly, the

strong implication was that the interviewee appreciated the personal appeal from the nonprofit's leadership.

Peers and Networks: The interviewee's survey identified no peers of the organization. When asked about this, the interviewee noted that no other organization of which the interviewee was aware was experiencing the same issues nor had the same structure (sharing administrative and accounting staff with the company that generated the foundation's endowment). The interviewee did note involvement in the small family foundation forum convened by the same individual referenced by others as an informal mentor. However, the interviewee noted that because the challenges the foundation was facing were unlike those of the others in the forum, which in the interviewee's opinion, either had clear mission statements or were not yet at the point where they were concerned about generational transition, the gatherings were less than useful. As the interviewee noted, "I really felt kind of strange in there."

The interviewee did observe, in response to one of the interview questions, that if a peer felt strongly about something or if the interviewee had a personal connection to a cause that a peer asked the interviewee to support, the interviewee would certainly do so.

Conclusion: The majority of this interview focused on the interviewee's efforts to prepare the next generations, but also heavily featured family history. Unlike the other more family-oriented organizations, however, this interviewee expressed little interest in collaborating with (or even identifying) peers, except to note that if asked by a trusted peer or friend, the interviewee would certainly consider supporting a specific charity or making a gift in memory of a close friend or peer. This will be further discussed later.

*Interviewee Three (S4): Philanthropy following the family*⁹¹

Introduction: The organization represented by Interviewee Three (Group One) was, as in the case of Interviewee One, a mechanism for the founders to formalize their philanthropic commitments to organizations and causes with which they were already engaged through volunteer work or financial support. Like Interviewee Two, Interviewee Three was a director of an organization committed to place-based philanthropy; however, the organization was in the process of shifting its geographic focus to follow the family, most of which had relocated to another city and state.

History and Context: Founded in the late 1990s, the foundation was formalized by the interviewee's father at least in part to get the family more involved in philanthropic behavior. Prior to that, a limited number of family members from the generation before the interviewee's father's generation made all giving decisions informally.

Governance and Mission: This foundation is devoted to building self-sufficiency for disadvantaged persons and families through services and education. The Interviewee noted that for years, the foundation did not have a mission statement and "...started by giving to the Humane Society." In fact, this organization is one of the few which explicitly notes that the mission of the organization is rooted in the community engagement of its founders and other family members; its main grant making priority is to support groups with which the founders and subsequent family members were involved in their lifetimes.

The interviewee noted that the founder felt that the money the family had saved should be spent by the family and not the government for the purposes favored by the family (and not the government). In fact, the interviewee subsequently emphasized that a large part of the motivation of the founders in setting up a formal entity was involving a broader range of family

⁹¹ Note that the interviewee declined to be recorded, so only a few brief direct quotes are included.

members, but the Board initially resisted efforts to bring those family members into leadership positions, partly because of issues that the rest of the family had with one specific member. The interviewee noted that family board members are appointed for life, with the expectation that the foundation will be perpetual. Outside board members, including the dean of a local university and a former partner in a large accounting firm, also play critical roles in the organization's deliberations about grant making, although those roles remain largely informal. At one point, in an effort to formalize the roles and responsibilities of its members, the board drafted job descriptions for them, but the descriptions became "inconvenient" (in context, unduly constraining) as board roles evolved.

When asked about the engagement of the board, the interviewee noted that only three members of the board made decisions at the time of the interview (all are family members by blood). Although a few spouses were once involved, they were not as engaged as other board members and their role in governance ebbed significantly, although they do have the ability to make discretionary grants of up to \$1,000. In fact, the interviewee suggested that giving incoming board members the opportunity to make such discretionary grants is a key method for "breaking in" new board members.

The interviewee discussed the transition to the new city only briefly. As soon as the interviewee (the last remaining representative of the family who resides in the state in which the foundation was initially established) retires, the foundation will move all operations and its grant making exclusively to the new city, in which the majority of the family is now located; currently, the board makes grants in both the new and original city. The interviewee downplayed this transition, noting only that family just left town over time for the new city, with no mass exodus or precipitating event. "It's just the way things go," the interviewee noted.

Strategy: This particular interview was unique in that the interviewee spent the most time talking about the organization's mission and strategy, and relatively little time discussing the family. As the interviewee noted, the social impact mission of the organization guides everything the foundation does: self-sufficiency (in context, the capacity to support oneself financially) for persons and families that cannot achieve it on their own, regardless of age and with full consideration of the entire spectrum of issues that may be impeding their efforts. As the interviewee noted, there are multiple ways to deal with children's needs and many variables that determine whether or not those efforts are successful. A child may have a specific condition, such as hemophilia, but "It's always a constellation" of issues that prevents children from reaching full self-sufficiency. For example, computer training may be a necessary prerequisite for self-sufficiency, as it equips individuals with marketable skills. However, the education itself is not sufficient if the individual experiences other barriers to keeping a job. For older adults, self-sufficiency involves quality of life, so the foundation may support efforts to provide for Activities of Daily Living or otherwise assist seniors to age in place. Despite this coherent (if broad) strategy for the state in which the foundation was created, the interviewee noted that the out-of-state branch of the foundation (which is managed by a separate and non-family executive director) had made a decision to spread its money around to a range of broader purposes.

Peers and Networks: Like Interviewee One, Interviewee Three referenced a specific individual in the state in which the foundation was initially created as a key role model and convener of informal collaborations, separate from any efforts of the regional association of grantmakers. Although the interviewee noted that while the foundation had been involved in a few specific collaborations (through which the interviewee learned a great deal about the craft of grantmaking), the foundation engaged in "almost none" currently, in part because the

individual who had previously convened such collaborations no longer does so. As for current peers, the interviewee mentioned other philanthropies that served the current home community of the foundation.

Conclusion: Although a member of Group One due to the lack of difference between the rating of family and social impact purposes, Interviewee Four rated both purposes at 9 out of 10. However, the primary narrative on which the interviewee focused related to the social-impact aspects of the organization.

Interview 4 (S6): Personal engagement as an avenue to greater support

Introduction: Founded in the 1990s, the foundation represented by Interviewee Four is a member of group 1, but for an unusual reason within the sample: The researcher received two surveys from this organization, each of which rated social impact purposes at 10. However, one of the respondents rated family-oriented purposes at 10 and one rated them at 7. Thus, the average of the two (8.5) was used as the basis for sorting the respondent into Group One (since the difference between the two purposes was less than 2). One of the two survey respondents declined to be directly interviewed but provided written answers to most of the interview questions as well as additional detail on the organization.

History and Context: Founded in the 1990s by the interviewee and the interviewee's spouse, the foundation was set up "...to benefit _____ County through support of religious, educational, cultural and community endeavors." The mission statement thus identified a geography and then mirrored the language of the Internal Revenue Code, like Interviewee Seven below. Unlike the previous interviewee, however, the organization has maintained a specific (if informal) program focus since its inception on children and families "at risk".

Governance and Mission: The board of directors for the organization is composed of the interviewee, the interviewee's spouse and two of their children. The foundation was established

as one component of the family's overall philanthropy; the family is very supportive of its church and the father of one of the board members (albeit not the board member himself) was a minister. In addition, one purpose of the foundation is to involve the family's children in that philanthropy, at least in part "...to instill the principle of giving when you are blessed."

In terms of expanding the board, the interviewee noted that "In the future we may include our son-in-law and grandchildren", but did not believe that outside directors were warranted at this point, given the size of the foundation and the knowledgeable perspective on the community that the foundation gains from trustees' personal relationships with grantees.

The organization has no formal mission statement, in part because the organization is small and still involves only immediate family, but also because the board members agree on the overall outcome they want to achieve through their foundation: Improvement in the well-being of families at risk within the county in which the family resides. Moreover, as the respondent noted, "I have been on various committees to write a 'mission statement' and have found it much ado about nothing."

Strategy: The foundation focuses on the relatively wealthy home county of the family on the assumption that the county's communities still experiences significant need, particularly among children and families at risk. The interviewee also implied that the foundation sought to focus on where the family lived because its members best knew the needs of that community. Grant making to date has been to agencies "...that offer various means to that end [serving at-risk children and families] as well as to agencies "...that may not get as much funding as larger, more well-known ones, but who offer great service to their clients." Of particular interest in this case is the respondent's assertion that "[s]ome of the larger grants we have maintained over the years have gone to organizations with which we have become involved personally." The respondent went on to note the activities of several specific grantees and the particular aspects

of those organizations that made them effective. Still, one common factor across grantees is the involvement of foundation board members in a role other than that of grantor. Moreover, in the context of suggesting that any change to giving priorities would be “a joint family discussion and decision,” the interviewee noted that the board’s perception of substantial need in the area the foundation currently serves means it is unlikely to shift priorities any time soon.

The respondent noted that in its earlier years, the foundation spent more time focusing on “...setting criteria for awarding grants,” using resources made available by the Regional Association of Grantmakers for guidance. Today, trustees still visit organizations to which they are considering awarding grants and speak to key management, while also examining IRS Form 990s and budgets. Again, this due diligence takes place in the context of one or more trustee’s personal relationship with many of the foundation’s grantees.

Peers and networks: The interviewee noted that the organization has collaborated only once with another foundation, but that the trustees do seek to know what other support grantees have received. Also, while the interviewee mentioned the Regional Association of Grantmakers as a repository for a significant amount of information about best practices on policies and procedures as well as governance, the foundation’s use of those resources was limited.

Conclusion: As the interviewee notes, “We are an uncomplicated family foundation and our goals are clear”, and its family governance structure seems to bear this out, However, of particular interest with regard to this foundation’s efforts is that, as with Interviewee One, board members are engaged extensively with grantees. Unlike the organization represented by Interviewee One, however, that involvement is personal; while Interviewee One seeks to build grantee capacity with formal and informal training, Interviewee Five’s board members seek to volunteer for the organizations to which they make grants. Finally, although the foundation has

a clear program focus within its chosen geography, the stated purpose of engaging the next generation based on the family value of “...instilling the principle of giving while you are blessed” is clearly as critical (if not more so) than the program focus of the foundation.

Interview 5 (S7): Honoring a parental legacy

Introduction: After the creation of the foundation represented by Interviewee Five (group 2), decision making remained largely with one of the interviewee’s parents with little effort to engage other board members, including the parent’s spouse. Then that parent unexpectedly passed away, and the interviewee and siblings, along with the surviving parent and a long-time outside board member (an attorney) saw the foundation ...”as a great opportunity to continue something in my [parent’s] honor, and not many people have that chance.”

History and Context: When the founder started the foundation with the help of a lawyer who still serves on the board, the founder sought a way to use money inherited from a parent “for the most good” and to “serve [the] community continuously,” but did not involve other family members. The interviewee thus noted that when the parent died, none of the children was in a position to step into a bigger role with the foundation due to career and/or family demands, but also because no one had any experience with the work the foundation did. During that time, therefore, the surviving spouse ...”did a lot of the networking, made a lot of the connections and...has done a great job in trying to train the next generation.” The interviewee referenced the informal gatherings convened by a local philanthropic leader (the same one mentioned by other interviewees) as key to her own preparation for her role with the foundation, noting that her surviving parent created opportunities for the interviewee and siblings to learn more about the context and craft of philanthropy through luncheons and the informal relationships formed as a result of those gatherings. In fact, the interviewee indicated

that three members of that informal network (representing two organizations) are likely to continue to serve as touchstones for the board after the remaining parent is gone. Also, the interviewee expressed regret that she did not engage with the foundation while the founder was still alive, because "...I think we would have gotten a lot out of it by doing it with [Parent]."

Governance and Mission: With regard to family and social-impact purposes, the interviewee noted, "It's not that running the foundation brings the family together; we get together on other occasions." Rather, since the founder's death, "...it has evolved...into a something the family can do together sort of thing...even more so recently."

The surviving parent has more recently let the interviewee and siblings take a larger role in the foundation, but systematically and gradually, so governance of the foundation is "...not thrown at us like it was thrown at her." In addition to engaging the next generation in board meetings and grant making decisions, the parent's approach in this regard is to connect the next generation board members with networks and mentors. Despite the ongoing transition in leadership, however, the interviewee anticipated no change in the foundation's focus (helping the disadvantaged) or mission, because "I still think [serving the needs of the poor and disadvantaged] is still where my parents' passion would be." As the next generation has become more involved in the family's philanthropy, moreover, the interviewee noted that "...you get to a point...where you really start looking at your community and where the needs are and realizing, 'Wow, there's something we can do to help...whether that's volunteering yourself or giving our grants.'" Thus, although referenced only obliquely, engagement with the grantees beyond grant making appears to be at least part of the foundation's approach. As the interviewee also noted, "I would say it's the personal relationship with the organizations that we give to that have been really important to us".

With regard to preparation of successors, following the integration of the second generation into the board through informal networking and connections with mentors, the foundation's board began to explore incorporating the third generation into the foundation's work through a "grandchildren's board." Their grandparent writes them a letter, inviting them to become part of the foundation and offering a small sum for the child "...to go figure out where to put that money." The foundation's board has continued in several other ways to engage the younger generation in giving.

Strategy: Although the interviewee implied the foundation placed an emphasis on the geography of its founder, this was not explicitly stated. Still, the grant making of the organization during the review period focused almost, but not entirely, in the metropolitan area in which the founder was active, and the interviewee's strong reliance upon mentors who have had a significant local focus (as well as connections to the interviewee's surviving parent) suggests that geography is key to the organization's strategy. Also, several of the grantees that the interviewee's organization supports receive support from the organizations governed by the individuals whom the interviewee views as mentors.

Peers and Networks: As suggested above, the interviewee emphasized the personal (and informal) connection she had with the leadership of the organizations designated as peers, noting that they were very helpful to the interviewee's parent in the parent's crash course on the practice of philanthropy and remained trusted mentors for the interviewee.

Conclusion: The transition from an informal orientation for the interviewee's generation to a formal orientation incorporating opportunities for the next generation to engage in grant making is worthy of note, as is the manner in which the organization's governance has evolved, as will be discussed later. Although this organization's self-reported ratings of family and social impact purposes placed it in Group Two, it had many features of Group Three organizations,

including particularly a strong statement of donor intent and an orientation process rooted in the founder's story as well as the mechanics of grant making.

Interview 6 (S8): Family-governed/professionally run and implications for geography

Introduction⁹²: Also a member of Group Two, this interviewee was unique among all respondents. While a board member (and family member) of the organization on behalf of which the respondent completed the survey, the respondent was also involved as a partner in a family office serving at least four (4) wealthy families in the state in which the foundation was located, including the foundation on whose board the interviewee served. The key theme of this interview was not only the value of family philanthropy through a family office⁹³, but also how the family office helped the family board members fulfill their desires for both strategic impact and family engagement. Family engagement had occupied a good part of the interviewee's attention over the years preceding the interview and therefore was a significant topic of discussion.

History and Context: Before creating the foundation in the early 1990s, the founders were extremely interested in the arts. Accordingly, they focused their giving in that area (as did the foundation once it was created), with an additional emphasis on supporting local organizations. As the founders were contemplating ways to formalize their philanthropic work, they realized that the family office had the infrastructure and systems that the family needed in order to fulfill its philanthropic priorities with a lower cost-structure than setting up an entirely new and independent organization. Initially, the foundation acted as a personal giving vehicle

⁹² The initial portion (roughly 15 minutes) of this interview was not captured by the recording and is therefore paraphrased where cited.

⁹³ Per Gray (2005), family offices manage the family's affairs, including the maintenance of its assets separate and apart from the operating business that might be the source of that wealth.

for the founders, but has evolved beyond that as the organization has worked to engage the next generation.

Governance and Mission: According to the interviewee's survey, the organization does not have a mission statement. As the interviewee noted, at the time the foundation was created, mission statements were not perceived as a critical part of an organization's strategy. Accordingly, after the founders were no longer active, the board reviewed giving patterns of the foundation during the founders' active years and used that information to guide future giving decisions. Today, the board is equally split between professionals employed by the family office and family members, although there is some overlap between those two groups. The interviewee noted that the key challenge at this point was engaging the next generation, further noting that the most important preparation of the next generation is done not by the family office, but by the family. As this interviewee noted:

I think [philanthropy] really starts at home, [and] it's got to be mom and dad and the kids [together]—it has to be part of their life and they just have to want to do it [i.e. engage in philanthropy].

The interviewee went on to note that in the foundation he served as a board member, the next generation was not very engaged before the first generation died, so that the informal knowledge that the first generation might have shared with the next generation was not in fact transmitted. However, the family office was able to engage the second generation because it had clear systems and procedures in place and clear understandings of donor intent based on prior grant making patterns, such that the family members who were interested "...have access without the pressure..." for engagement with the foundation.

Strategy: At the core of the foundation's grant making is a commitment to place: The interviewee noted that the foundation functions in a relatively small community to which the board has expressed its commitment for the long term. In fact, the interviewee noted that as

the families served by the family office become more scattered and grow concerned about losing ties to the original community, the family office, including the foundation management, has a responsibility to reinforce ties to the community whenever possible.

Moreover, board members and staff recognize that their grantees will need long-term support and that not every grantee has the best or the deepest management team. Each of these considerations has informed their grant making, which has not changed much in terms of grantees or support levels over the years except during the Great Recession (2008 through 2010), during which the market value of the foundation's assets decreased significantly and the foundation was forced to provide emergency support, keeping its grantees alive and making every effort to stem the loss of value in the endowment. The interviewee cited grantee lack of capacity as a critical reason to work through an entity (like a family office) that has the resources and capacity to help both the foundation and grantees refine their ideas and confirm that the grantees have the capacity to accomplish results that the foundation wants to see.

Peers and Networks: The interviewee noted that the peers identified in the survey "...were set up in a similar manner to support a community...but also provide for similar-type causes. They don't have the same unwritten mission, if you will...[but] post-death, they're able to...fund...similar type programs that they were funding during the days of the founder." Worthy of note is that two of the three peers named by the respondent were also served by the same family office, and the third, while focusing on different program areas, "...has done a great job of continuing the tradition set by the founder." Although not explicitly stated by the interviewee, clearly critical to the nature of all four organizations as peers was grant making in a manner that honored donor intent above all else. This emphasis on donor intent above all clearly is in line with the hypothesized motivations of Group Three organizations, but the efforts to engage the family in philanthropy are more in line with Group One. Thus, as shall be discussed below, one

of the possible reasons for organizations to rate both social impact and family purposes similarly may simply be that they are seeking to balance both purposes.

Interview 7 (S12): Emphasizing the geography of the founder over the geography of the family

Introduction: Interviewee Seven (Group Two) represented the oldest and largest of the foundations in the sample, as well as the organization with the greatest number of board members during the review period. The foundation's primary philanthropic emphasis is place-based, but the family is now "very scattered" and no longer has a substantial family connection to the place in which the foundation was founded.

History and Context: A foundation with a long history in the city and state in which it is located, the organization represented by Interviewee Seven was created by the interviewee's great grandmother, whose spouse was responsible for generating the wealth that capitalized the foundation. The founder clearly articulated that the foundation was to be used for the broad benefit of the city and state in which the foundation was located, but provided little concrete guidance beyond her own patterns of giving and grant making. Because the founder's actions during her lifetime continue to be important guides to the foundation's grant making, the founder's history receives a great deal of attention, both in efforts to prepare future board members and in deliberations about grant making.

Governance and Mission: Over 80% of the board of the foundation represented by Interviewee Eight was identifiable as family members, although those family members represented a later generation than was the case for the foundations of any other respondent to the survey. The balance of the board were community leaders in the city in which the foundation conducts most of its philanthropy. The interviewee noted that those outside members are critical to the foundation's grant making because they have connections and in-

depth knowledge of the community as well as of local grantees, which the family representatives on the board increasingly lack as family members have moved away.

Despite the high percentage of family members on the board, when asked about the degree to which the organization balances family and social impact purposes and how the mix may have changed over time, the interviewee was very clear that family purposes “...were not what the organization was about: ...the social impact purposes became most important because that’s what [the founder] said the organization was for and...[the founder’s] purpose is our purpose.” Yet, the respondent also noted that without family unity, the foundation would falter, so that “...the greater purposes of the foundation rely on the fact that there is some kind of family glue to make the foundation functional.” Moreover, the family is geographically scattered and no longer has a defined role in the city in which the foundation (and the corporation that generated the capital for the foundation’s endowment) are located. Thus, the foundation creates the only real formal opportunities for the family to “...come together on a regular basis and see each other.” Thus, a well-functioning family represents the medium through which the foundation fulfills its mission most effectively.

In view of the age of the organization and the high percentage of family members on the board, the interviewer inquired about transmission of the accumulated body of received wisdom from so many prior generations of trustees to the next generation. First, the organization has provisions for associate board members; these are family members who have expressed interest in engaging in the family’s philanthropy and who serve for one year as non-voting members. The associate members attend board meetings, but also form a cohort of their own which engages in “a certain degree of informal socialization” and in conversation about their experiences with the foundation. In addition, incoming associates engage in a formal orientation which involves the entire board discussing with new associate members (and new

non-family board members) the purposes of the organization according to the founding donor as well as the history of the foundation itself, particularly in terms of its grant making strategy. According to the interviewee, service as an associate board member offers the opportunity not only to determine if the foundation is a good fit for the associate, but also to determine if the associate board member is a good fit with the current board; this is particularly critical because, as with the organization represented by Interviewee Three, family board members are appointed for life (while non-family board members are appointed for the duration of their tenure in their role as community leader that entitles them to board service). Family board members are effectively (if informally) nominated by each branch of the family, and in addition to the formal orientation and vetting, informal discussions early in the nomination process ensure that no potential associate member elicits strong objection from any other branch of the family.

Strategy: As the interviewee pointed out, the foundation's strategy is "functionally broad but geographically narrow." The founder was very clear that the foundation should benefit the people of the city and state in which the foundation was created. (The interviewee again noted that this is "...what [the founder] wants to happen, our job is to do what [the founder] said.") Despite board members' occasionally suggesting that they would appreciate the opportunity to engage the foundation's resources in the states in which they currently reside, the organization has remained true to the founder's intent. As the interviewee noted, "...trying to do things for the state of _____ and the city of _____ is at the center of everything we talk about: How do you make it better? When do you collaborate and when do you act alone?" Within that constraint, however, the organization engages in a broad range of activities within the city and state (though generally more in the region of the state in which the foundation is located than statewide or focused on other cities within the state), because besides the explicit

provision for the benefit of the people of the city, the city's surrounding communities and the state in which the city is located, the organization's mission statement cites only the language in the Internal Revenue Code for nonprofit organizations: "...for the religious, charitable, scientific, literary, educational...a bunch of words like that." This has allowed for considerable latitude in the functional purpose of the foundation's grant making. For example, the foundation has begun paying attention to environmental issues, which would not have ever been on the radar screen of the founder in the middle of the first half of the twentieth century.

Peers and Networks: Because of its commitment to place, moreover, the organization has several natural partners with whom to collaborate formally and informally as suggested above, including of course, the local community foundation, but also other family and private philanthropies that focus on the same place. The interviewee noted that collaboration with other philanthropies serving the same area has been a strong tradition for the organization. In fact, the foundation acts as convener and leader for other philanthropic and nonprofit organizations serving the region because "I think [the foundation] is the leadership group in philanthropy in [the city in which the foundation is based]."

Conclusion: Interviewee Seven further illustrates the importance of place to many family philanthropies, but is unique in its high percentage of family members still on the board for an organization of its age. As an illustration of Group Two, moreover, Interviewee Seven's results suggest that commitment to place may be one of the factors that explains why some Group Two foundations are more focused than others in terms of grantmaking and giving priorities: Place represents a convenient operating principle with which to draw parameters around the family's giving.

Interview 8 (S18): Partnership with the community and the importance of place

Introduction: Interviewee Eight, the only interviewee who was a member of Group Three, was very focused on the work of the organization and its partnership with community nonprofits, including one in particular. Although the interviewee noted that the family purposes hypothesized to be important to the organization were, in fact, irrelevant to it, the interviewee and the interviewee's parent arguably played a significant (if not outsized) role on the board, relative to the non-family majority of the board.

History and context: Founded in the 1980s, the organization represented by Interviewee Eight was created with the goal of beautifying the city in which it is located. This was subsequently expanded to apply to the county and state in which the city is located but still focused on the mission of beautification with a particular emphasis on the city. The foundation was created by the interviewee's parents because at the time, they believed that beautification was a neglected issue compared to other pressing needs facing the city. Since then, the foundation has formed a close partnership with a single community nonprofit organization with a parallel mission, covering much of that organization's administrative and operating expenses so that money raised by the nonprofit can be used mainly for mission purposes.

Governance and Mission: As noted, the interviewee asserted that the family purposes included in the survey were irrelevant to the foundation, noting that, "...the family purposes, about like keeping the family together or things like that, that's just not what this foundation is about. The foundation is about enhancing the natural beauty of [City, State] and that IS what [this foundation is] about." The lion's share of the organization's grant making is used for community beautification, but by engaging in community beautification in the context of other efforts, such as community events and sponsored gatherings, the foundation is devoted to "enhanc[ing] quality of place", in the words of the interviewee. This phrase does not appear in

the mission statement, but appears to be a guiding principle for the interviewee, if not the entire board.

In terms of governance, the interviewee characterized the membership of the board as very stable, but also noted that key to the sound function of the organization is the right mix of technical skills for the organization to fulfill its mission, rather than any emphasis on maintaining family involvement on the board, particularly since the interviewee and her parent were the only members of their generations active in the family's philanthropy.

Strategy: Central to the foundation's activities are formal and informal collaborations with other philanthropies, as well as with other community institutions serving the same city and county. As the interviewee noted, "The foundation was set up not just so it could do something but hopefully so it would inspire other foundations to climb on board with this idea, with support—and that has worked." When asked to elaborate on this, the interviewee noted that the city in which the foundation works has a deep bench of philanthropic institutions for a community of its size and by inspiring other philanthropies to support causes and organizations important to the foundation represented by the interviewee, the foundation can magnify the impact of its limited (relative to other foundations serving the community) resources.

Also central to the foundation's efforts is identifying community needs and developing strategies to address those needs, sometimes in partnership with other funders and sometimes on its own. As the interviewee noted, "We identify the need rather than people submitting grant requests to us...[and]...we do the strategic planning for the projects that we do." For these reasons, unlike almost all other survey respondents, this respondent rated strategic planning as occupying more of the board's attention than grant making.

Peers and networks: This interviewee was one of only three that listed no peers, although throughout the interview it was clear that engagement in networks was central to the

organization's execution of its mission, and that the organization worked with several partners whom other interviewees may well have considered peers—they were active collaborators with the interviewee's organization, plus they had parallel missions and/or were committed to the same place. In the context of the interview, it became clear that the interviewee did not view any other organizations (including its partners) as peers because no other entity played precisely the role that the foundation did. With regard to survey question 15 ("How important is it to the trustees whether other organizations financially support efforts for which the foundation has provided a grant?"), the interviewee did note, that "...that's one of the reasons the foundation was founded, to try to generate interest in supporting the types of things we support."

Conclusion: Interviewee Eight represented an organization that was virtually the exemplar of a social impact-focused foundation. The interviewee was very clear regarding the foundation's emphasis on place (in particular, the geography of the founder). In that context, the values of the founder also received significant attention during the interview. Finally, the language of partnership was critical to the organization's narrative.

Conclusion

The interview results offer insights into the motivations and challenges within which this limited sample of trustees does their work. Moreover, they offer clarification of at least some of the more ambiguous survey results. In the next chapters, three case studies will highlight specific aspects of survey respondents based on material published by or featuring the foundations themselves to gain further insight into how the foundations publicly present their purposes. This will be followed by a chapter which will summarize the results of each component of the study, discuss how they interrelate, examine limiting conditions and future research possibilities and reflect on the contribution the study makes to scholarship on family foundations.

CHAPTER SIX

CASE STUDY ONE

Introduction to Case Studies

The previous chapters offer analyses of each respondent at a point in time based on survey and interview, albeit with longitudinal analysis of grantmaking and board membership patterns. The results of the survey suggest that the distinction between family-oriented purposes and social impact-oriented purposes is a meaningful one: significant differences appear for individual respondents between self-ratings of family purpose and social impact purposes (and neither approaches zero across the sample). Moreover, differences between respondents appear in terms of their ratings of family purposes in particular, but also to a lesser degree, in terms of their ratings of social impact purposes. Based on the range of differences between family-oriented ratings and social impact-oriented ratings, survey respondents fell into three groups: family purpose-oriented (Group One), relatively balanced orientation between social impact and family purposes (Group Two), and social impact purpose-oriented (Group Three). While the results for Group One and Group Three at least confirmed that many of the expectations of agency theory were worthy of further exploration, Group Two's results were inconsistent in an unsystematic way. In addition, a set of interviews offered a deeper look at the basis for and correlates of the ratings selected by each interviewee, including some possible insight into Group Two's apparently inconsistent results.

To further explore these results requires an examination of change and consistency in foundation narratives over time, particularly with regard to family and social impact purposes. Accordingly, this and the following two chapters used information gleaned from publicly

available materials authored by or on behalf of one organization in each of the three categories to examine this change over time. Each chapter first provides a brief overview of the case study subject and the basis for its selection. This is followed by identification and analysis of themes that consistently recur over time in formal communication, and their relevance to the research questions. A review of how procedural language such as grantmaking guidelines or reporting procedures evolves over time is next, again with a particular focus on how any such evolution provides possible support for either agency theory or institutional theory predictions in this study. Each chapter will conclude with a synthesis of the case study results and their implications for the study.

Introduction to Case Study One

The subject of Case Study One (Survey Respondent 2) is one of three respondents who rated family purposes more highly than social impact purposes (thus being sorted into Group One). The organization was founded in the early 1990s and has a mission revolving around the welfare of children and their families, particularly but not exclusively from birth to five years of age. The organization differs from the other cases in two ways. First, the information authored by or on behalf of the organization is extremely limited. Accordingly, in addition to that information, the following incorporates information from media accounts and other public sources. Second, the organization's founder and family members are or have been board members for a range of other organizations, including one founded by the same individual who created the foundation. Accordingly, this case study will examine the following themes:

- 1) Board composition over time.
- 2) Grant making guidelines.

- 3) Grant making patterns, particularly with regard to discretionary grants and grants to organizations in which members are active, but also with regard to grant making focus and consistency.
- 4) Collaboration with other funders.
- 5) Member board service with other organizations.

These themes will demonstrate that the organization largely conforms to agency theory predictions regarding family purpose-oriented organizations, with some notable exceptions. In addition, while board member engagement in networks and service on other organizations' boards would appear to be a feature of a social impact purpose-oriented organization from an institutional theory perspective, the organization's similarities to its Group One peers suggest in fact that the organization is family purpose-oriented.

Board Composition: Family only

Agency theory predicts that the board of directors of a family purpose-oriented organization will maintain its family character over time, with any additional members more likely to be trusted advisors than professionals or community leaders. During the review period in this case (1998 through 2016), the organization begins with family members only (the founder, the founder's spouse, and children) through 2000, then expands to include children's spouses in 2001, followed by a member of the next generation in 2013. Once a member is elected to the board, he or she remains on the board for the duration of the review period. No outside members (including trusted advisors) serve on the board at any time. Worthy of note is that during the review period, the members are geographically dispersed, with the founder and spouse located in the community in which the foundation was established, one child and spouse in another state, and the other child and spouse in a different metropolitan area in the same state (along with the next generation board member). This becomes relevant in examining the

organization's grant making patterns below. For now, the board membership analysis demonstrates that the organization conforms to agency predictions.

The organization also conforms for the most part with institutional theory predictions with regard to similarity to peers. The board of one of the organization's peers is composed entirely of family and while the other has only limited family representation, it is headed by a family member of the founder, which may be the reason it was named as a peer rather than based on any similarity in terms of board composition.

Grant making Guidelines

The organization included its grant making guidelines in each IRS Form 990 from 2003 through 2013, then again in 2015. During that period, the guidelines do not change at all, noting the organization's mission and its particular focus on pre-school children and their families. Guidelines also note that grants are made primarily in the foundation's community but that grants are also made where board members live outside of the foundation's community. The organization places a particular emphasis on projects that generate systems change, and notes that it often makes its grants available on a matching basis.

The stability of the guidelines (word for word, in fact) over this entire period is predicted by agency theory to be more likely for social impact purpose-oriented organizations, as (arguably) is the focus on systems change. However, the stability of the guidelines does not necessarily translate into stability in grant making. As for the emphasis on matching grants, this may be simply explained by the limited resources of the foundation. However, the board's engagement in collaboration and service on external boards suggests that the explanation for a matching grant strategy could be more complicated: if the board of the foundation is composed of collaboration-oriented individuals, the presumption that the foundation expects the same behavior from its grantees is not entirely unreasonable (and is in line with institutional theory).

Grant Making Patterns

The organization features a list of its grants by year for eight of the years under review, as well as its IRS Form 990s from nine of those years. From the grant descriptions and the grantees assisted, the organization's consistent focus on children remains clear, as does its continuous engagement with the regional association of grant makers. The organization's engagement in (or at least dues payment to) other associations is less consistent, and decreases over the review period.

While grant making patterns (and change over time in that regard) may not necessarily be part of the organization's narrative (particularly given its consistent mission focus), two particular trends are evident from the information available on the website:

- 1) *Consistency in program focus, but with discretionary grants later in the review period:* The vast majority of the organization's grant making is focused on the core mission of the organization throughout the review period. However, the organization begins to list discretionary grants in the late 2000s through the end of the review period, amounting to an average of 6.6% of total grant dollars per year and ranging from slightly over two percent to ten percent across the latter half of the review period. This diffuses the consistency in program focus somewhat (although not to a great degree, in part because the amount remains small and in part because the majority of trustee-initiated grants are oriented toward the organization's overall mission). The use of discretionary grants is in line with agency theory predictions for family purpose-oriented organizations.
- 2) *Geography of the founder, but activity in other family member locations:* As noted earlier, during the review period, the founder and spouse remain in the community in which the

foundation was created while the children move to other locations. While the geographic focus of the organization's grant making is consistently in the community in which the founders reside, a non-trivial amount of grants (on average ten percent per year, with a range from zero to roughly twenty percent) are in the communities in which other members of the family reside. This provision of grants outside of the founder's geography, arguably, is in line with agency theory predictions for family purpose-oriented organizations.

Collaboration

To the extent that the organization receives published attention at all, the majority of that coverage relates to the non-trivial number of collaborations in which the founder is actively engaged. This includes informal coalitions of organizations with parallel missions, funder consortia to address specific issues and needs, and appointment to or involvement on various boards of directors. Almost all such coverage except for one article either references the founder in the context of the foundation or references the foundation in the context of the founder (and most fall in the latter category). Combined, however, with the organization's preference for matching grants and the service of family members besides the founder on other boards of directors (the founder's spouse and both children serve on at least one board each), collaboration does appear to be a priority for the organization, contrary to agency theory or institutional theory predictions. However, given the clear value that the founder places on collaboration and engagement with other organizations with parallel missions, the assertion that the rest of the family is modeling the founder's behavior is at least a reasonable explanation.

Of greater interest in this regard is the founder's role in the establishment of a separate nonprofit organization in the early 2000s focused on improving services for children through coordination and collaboration. The organization's website notes that it was the result

of state efforts to improve the lives of children from birth to five years but notes that the foundation, and in particular the founder, played a key role in the capitalization and initial governance of the organization. Indeed, the founder was the sole member and officer of the board for its first two years, then was joined by two representatives of an organization with a parallel mission, on the board of which the founder had served since the late 1990s. In the late 2000s, the founder was joined by his spouse on the board of this nonprofit organization and in the early 2010s by other family members. During this period, the board briefly contracted to the founder, spouse and one external member before expanding again to a board of twelve (albeit with the founder, spouse and a family member from the founder's own generation serving as three of the four officers of the organization). A substantial commitment to support an organization is not unprecedented within the study's sample, but the involvement of other family members is much more unusual. This could be viewed as simply the logical extension of family engagement and experience working together on the foundation board (and of the founder's leadership in the foundation's focus area), or it could be viewed as an effort to control the organizations on which both the founder and family serve; as the founder and family are generally a small minority on the boards on which they serve and generally begin as (if not always remain) members rather than officers of the board suggests that the former explanation is more plausible.

Conclusion

The foundation featured in this case study demonstrates several features predicted by agency theory for a family purpose-oriented foundation, including a board composed exclusively of family members, grant making that includes the geography of family members other than the founder, and the use of discretionary grants (at least later in the review period). Where the organization diverges from agency theory predictions (and institutional theory predictions) is in

engagement in networks and on the boards of complementary organizations, both by the founder (to a much greater degree) and by other family members. Although the organization also never shifts its focus from its initial mission, this could as easily be explained by the founder's continuous involvement on the board of directors as by an emphasis on social impact purposes.

What is less easily explained is the organization's consistent (if not particularly emphasized) preference for grants that will generate systems change throughout the review period. In fact, one possible explanation for foundation board member service on the boards of other organizations could be their desire to produce change through such active engagement with partners. This explanation is only reinforced by the founder's leadership in the establishment of an organization created with the intent of improving service delivery system-wide for the population of interest to the foundation. One possible response to this anomaly is that no foundation could be expected to conform completely to the predictions of agency or institutional theory. Another might be that while the organization rated family-oriented purposes more highly than social impact-oriented purposes, social impact purposes were still rated fairly highly in absolute terms. A third might be that this organization is somehow different from the rest of the sample, and therefore not subject to the predictions set forth in Chapter one. None of these explanations is particularly satisfying. Perhaps the most straightforward explanation is that as a family purpose-oriented organization with the founder thoroughly engaged in both the community and in a specific cause, family remains the operating principle of the organization but the founder and the family to which he is actively transmitting his charitable values act not just as funders but as leaders in this field, following that path wherever it leads.

The next case study, based on a member of Group Two, presents its own set of challenges as it examines an organization that does not fit neatly into either the family purpose-oriented or social impact purpose-oriented category. This will be followed by a final case study on a member of Group Three, then a concluding chapter with synthesis of the quantitative, qualitative and case study chapters, limitations of the study and suggestions for future research.

CHAPTER SEVEN

CASE STUDY TWO

Introduction to Case Study Two

In the first case study, a Group One foundation demonstrated board stability as well as continuous engagement of the founder throughout almost all of the review period. Case Study 2 focuses on an organization with board members from the third and fourth generations from the founder, long after the founder's engagement with the foundation had ended.

The second case study focuses on a Group Two organization (Survey Respondent 12) that has made nearly 40 years of annual reports available for researchers (albeit with no annual reports available for 1998 and 1999). Accordingly, review of those annual reports forms the core of this analysis, with limited attention to secondary sources. This organization (founded in the first half of the 20th century) was chosen, in particular, because its statement of purpose is very broad in most respects, and during the review period, the trustees sought to structure long-term objectives for the foundation with little if any guidance regarding the donor's intent for the use of foundation resources, except for restriction to a specific city and (secondarily) the state in which the city was located. This broad mission focus within the context of an absolute limitation to a specific place may have been the basis for the organization's classification of itself into Group Two. Given the breadth but limited depth of the information available, this case study will examine how the structure of the annual reports changes over time and on major themes that appeared in the following components of each report:

1. Communications composed by foundation officials directly, such as the introductory letter;

2. Program priorities published in the report;
3. Membership and other information regarding the board of directors, including an examination of how the board evolved over the entire period for which information is available and how any changes to the board are addressed in the body of the report;⁹⁴
4. Other sections of the report that generally recur each year, such as organizational history, grantmaking philosophy or organizational values.

Board member communications: The annual letter

If the annual report is the encapsulation of the foundation's previous year's activities, the annual letter could well be considered the encapsulation of the annual report. Penned each year by the board president (and co-signed by the board president and board chair during the brief period that these roles were separate), the annual letter sets forth what is foremost in the mind of the author(s), and perhaps in the consciousness of the board members themselves. In this case, seven consistent themes emerge in reports from the period under review⁹⁵, ranked from least common to most common theme:

1. External issues: Legislative concerns and financial condition
2. Geography
3. Highlights of particular grants
4. Collaboration and networking
5. References to the founding donor and spouse and their story, particularly in the context of the history of the foundation itself
6. The foundation's specific role in philanthropy
7. Organizational Values.

⁹⁴ This is distinct from the board analysis in the qualitative chapter because of the longer time horizon and the availability of qualitative information on individual board members as well as on the board as a whole.

⁹⁵ More than one of these themes generally appear in each individual Annual Report.

Each of these themes will be examined in turn.

Legislative and Financial Concerns

Efforts to regulate foundation activity (with a particular emphasis on payout requirements) are a consistent early theme for the annual letter. In fact, the implied basis for the first annual report in the mid-1970s is to overcome any charge of lack of transparency by making available information on what precisely the foundation does with its resources. In subsequent years in this decade, high payout requirements and the threat of inflationary pressures, combined with declining stock market returns, are noted as a significant threat to the very survival of private foundations everywhere. When the law does change in the late 1970s, the foundation expresses its appreciation for the reduction in payout requirement, but still notes that it had a rough year financially due to loss in endowment value. This is particularly important for this foundation because of its practice of making multi-year commitments to grantees. In fact, in years in which the foundation's portfolio either lost value or did not produce sufficient income to meet payout requirements, the foundation noted how this loss of market value affects its ability to support the worthy causes that the foundation funds. Again, the foundation's practice of multi-year commitments further complicates its efforts to meet the needs of its grantees, but the foundation did take steps in some years to mitigate the impacts of those declines. In other years, the foundation simply noted that declines in market value limit its ability to support worthy projects. Also, in years in which reductions in the market value of foundation assets restricted what it *could* do, the foundation highlights what it *did* do to support its core grantees. For example, in response to the recession of 1987, the foundation disbursed small amounts of principal that could safely be replenished with earnings in future years to meet its immediate obligations.

How do themes relating to legislative and financial concerns relate to the effect of family or social impact narratives? The foundation's estimation of its own ability to produce its desired social impact is reduced by government regulation or poor financial returns. As discussed further below, the foundation has a stable core of grantees to which it provides annual support, as well as at least one program that it operates directly, so lower than anticipated financial resources have significant consequences for the grantees with which the foundation has developed longstanding relationships. In this regard, the organization demonstrates one of the agency-theory predicted features of a social-impact organization: grantmaking focus. When regulation or poor financial returns limit its available grantmaking capital, the foundation's concern is with the impact such changes inflict on that stable core of grantees. The implication of the narrative when the foundation's grantmaking capacity is constrained is that its consistency in terms of level of support, if not also focus, are adversely impacted. More importantly, these external trends are among the only ones that ever receive extensive attention in the annual report (though there are passing references to strategic and venture philanthropy in subsequent President's letters). In this respect, the organization exhibits one of the agency-theory predicted features of a family purpose-oriented organization: inattention (and by extension, insensitivity) to external pressures.

Highlights on specific grants

The manner in which specific grants are highlighted in the annual letter is notable for three reasons. In some cases, the organization uses those highlights as the most explicit articulation of its evolving priorities. In others, those grants serves to illustrate strategy. In all cases, the highlighted grants signal both constancy and change in the organization's priorities. Thus, in the early 1980s, the organization highlighted grants that illustrated its efforts to fill particular niches that government or other institutions did not occupy, or in which the

foundation or its grantees could offer a creative solution: diversifying the state's economy, building knowledge and the creative application of that knowledge, using the arts as platforms to enlighten and stimulate, and alleviating human suffering. Soon thereafter, the foundation used grants made during the year to highlight more generally its capacity to provide creative solutions to societal challenges, in contrast to government which could often only address immediate needs, a theme that is re-articulated in the late 2000s. Also in the mid-1980s, the foundation highlighted key components of its strategy in grantmaking: multi-year commitments to address complex problems and capital grants to strengthen central business districts. In the early 1990s, the annual letter alternately articulated the foundation's priorities in terms of grantee activities (enhancing quality of life, contributing to the creation of jobs, and encouraging technological innovation), impact areas (community, science, arts and education), strategies (such as partnerships to inspire other institutions to collaborate in addressing issues that none can address on their own, while also taking a more proactive approach to grantmaking) and manifestation of donor priorities (as in 1979, when the foundation's program priorities-- education, community, culture science and a set of consistent smaller gifts—were cited as the fulfillment of the long-term objectives the foundation was set up to fulfill when it was created)⁹⁶. These themes were re-iterated with slight changes in subsequent years (2005's priorities, for example, were education, contributions to endowments, economic development and the environment, while 2006 saw the foundation rededicate itself to a slightly different set of priorities: education, religion, economics and culture. Thus, the foundation affirmed its proactive nature in identifying needs that it could help to address. During the economic dislocations of the 1980s, the foundation focused on its efforts to rebuild the state's economy on a sustainable basis by both investing in start-ups in high growth industries to re-position at

⁹⁶This note appears without reference to the founders themselves.

least a portion of the state's economy in innovation industries (such as biotechnology) and reinventing and improving the state's traditional manufacturing base.

In the late 2000s and early 2010s, the narrative shifted somewhat to focus on the non-monetary resources with which the foundation leveraged its financial commitments, including knowledge-sharing and facilitating entry for grantees into networks of problem-solvers, as well as sharing the ongoing expertise and support to which the foundation alone (at least within the community in which the foundation was active) had access. The foundation also re-articulated its focus on specific niches during this time period. This led to a reconceptualization of the role of the foundation from being a funding source to a partner and from grant maker to collaborator and catalyst. While this echoed themes articulated in the early 1980s regarding the foundation's balance between reactive and creative grantmaking, in context, it suggested a much greater engagement with grantees and the systems in which they operate. Thus, in the early 2010s, the foundation noted that failure is an option for grantees, as long as it is not the end of the effort, but only a step toward an innovation that succeeds. The next year, the foundation re-affirmed that its investments are in people, not programs or buildings; even when the delivery of programs or contributing to buildings was the eventual outcome of a grant, the driving forces behind each grant's success were the individuals who lead such efforts.

In the context of a less broad mission statement, these shifts in priorities would position the organization squarely in the social impact category from the institutional perspective (since other foundations were embracing innovation and partnership during this time period) and within the high family category from the agency perspective (as the organization diversified its grantmaking and shifted priorities over time to reflect the board's priorities (and arguably by extension, the family's, given the extensive number of family members engaged with the board). Alternatively, given the breadth of the mission statement, the organization could have

been simply looking for different ways to fulfill donor intent in the spirit of the original purpose statement or engaging its own resources (as referenced above) to identify and address needs that the foundation (and by extension, the family) identified. These shifts in priorities would suggest a family focus from the institutional theory perspective as well, since the organization's priorities were determined without explicit reference to external models. One way of resolving this ambiguity is examining how the donors are referenced throughout the review period.

Founder references

Agency theory would suggest that a high social impact organization would focus particularly on the founders as a basis for highlighting the goals of the foundation in terms of donor intent. The founding donors are, indeed, consistently referenced. In addition to the statement of purpose, the annual letter specifically told their story in the late 1980s, affirming in the early 1990s that the foundation was fulfilling its founders' commitments to specific projects, including a specific marquee project in the foundation's hometown. At the turn of the century, the annual letter noted that while new creative ideas always elicit their attention, the long-term priorities of the foundation, including particularly the focus on education and a program of smaller annual grants initiated by the founder, remained critical priorities. This theme returned in 2007, as the chair discussed the foundation and the inspiration it derived for its commitment to the community from the founder's contemporaries, and was reinforced in 2014, when the president noted that the foundation was following the tradition of giving modeled by the founder and spouse during their lifetimes.

In addition to references in the annual letter, a separate section of the report appeared every year from 1993 through 2005, highlighting the history and philanthropy of the founders, with similar information included through 2015 (with the exception of 2008, when a large portion of the report was devoted to the financial crisis that occurred that year). The beginning

of the section focused on the founder, but much of the balance of the section focused on the founder's spouse (the source of the wealth that capitalized the foundation). This section also notes that the couple were devoted to their family, the community, and the betterment of people's lives in the city and state in which the foundation (and the industry that generated its wealth) was located. Moreover, in 2006 and 2007, information on the founder and spouse were supplemented with brief bios on each original trustee (all of whom were family), as well as information on prior presidents and key milestones throughout the organization's history. From 2008 to 2010, this information on original board members other than the founder and spouse did not appear, but it reappeared in 2011 (possibly because the organization celebrated a milestone anniversary that year) and again in 2012. In 2013 and 2014, the section highlighted only the founder and spouse, while the full legacy section re-appeared in 2015. According to agency theory, this attention to the founder would appear to once again situate the foundation squarely within Category 3 rather than Category 2, just as the shifts in grant priorities could situate the organization squarely in Category 1, in line with institutional theory.

Collaboration and relationships

If neither references to specific grants nor donor references can help to define the organization's narrative as family or social impact-focused, what other contextual information might help to determine which theory applies? One particular contextual element may be particularly relevant: the organization's commitment to collaboration, which might strongly suggest a social impact focus due to the necessity for collaboration to take place within the context of a network. For example, as referenced in its first annual letter, the organization was a founding member of the regional association of grantmakers (RAG). The Chair and spouse were named as honorary chairs of the RAG annual conference roughly ten years later. In the next year, the chair was elected as chair of the association. Since respondents were recruited

through regional associations of grant makers, *engagement* in the regional association of grantmakers is not at all unique to this foundation, but the degree of *leadership* that this particular foundation demonstrated was, if not unique (one of the respondents from the other state was also a founder and former board chair of its regional association of grantmakers), at least exceptional.

Indeed, networking and leveraging are consistently key components of the organization's grantmaking strategy, as noted in the mid-1980s in the President's letter articulating those values and again, in the mid-2000s, when those values are clearly manifested in a feature on a multi-million dollar collaboration between more than ten foundations, the state and a national nonprofit. A vital precedent to that collaboration and leveraging were the relationships that the organization's board members formed with its grantees, as evidenced by a reference to relationships with grantees as a common element to all the foundation's successful grantmaking (also in the mid-2000s) and a reference in 2001 by the board president to the foundation's bare-bones staff, which both allowed and necessitated board member involvement in day-to-day interactions with grantees. Related to this commitment to networking is an emphasis not on organizational relationships, but on personal ones, as noted by the president in the mid-2000s. In fact, the President's letter from 2004 through 2012 included an invitation to readers of the annual report to provide feedback on what and how the foundation was doing. In 2012, a commitment to securing that feedback became a core organizational value. This commitment to collaboration and close relationships with grantees echoes a theme that will be explored further in the discussion chapter: under what conditions is collaboration likely to arise and how do family purpose-oriented and social impact-oriented foundations approach collaboration? The annual reports of this foundation also suggest one potential answer — personal engagement with grantees by individual board members allows board members to

bring both their networks and individual expertise to bear on challenges facing grantees (and entire communities, as the foundation's annual letter noted on several occasions). This allows the foundation to be both creative and reactive as appropriate.

Grantmaking philosophy and guidelines

The balance between creativity and reactivity was also reflected in the organization's statement of grantmaking philosophy, particularly in later years. Beginning with the first annual report in 1975, the organization's charter was summarized, referencing the original donor and noting the broad program focus but limited geography of the organization's work. This statement continued to be included verbatim in every annual report until 1984, when there was a subtle but important shift; rather than suggest (or at least imply) that the foundation's grantmaking was for fixed purposes, the statement of grantmaking philosophy articulated in 1984 noted that the foundation sought to fulfill its charter goals for the state's people *as their needs evolve in a constantly changing world*. Moreover, 1984 represented the first time that the organization articulated the importance of leverage and creativity in its grantmaking. These themes continued until 2001, when another subtle shift occurred; the statement of grantmaking philosophy in that year's annual letter referenced not the foundation as the decision-maker (as in the 2000 assertion that "...[I]t [the foundation] seeks creative solutions where the amount of its grants may be leveraged..."), but rather the trustees (as in 2001, when the annual letter noted that "The Foundation trustees carefully consider proposals submitted, and look for programs where their contribution can be leveraged"). Finally in 2014, with the appointment of a new chair from the next generation of the family, the focus of the purpose statement shifted again to the founders, noting that the founders were devoted to their family, the community in which the founders made their fortune, and improvement in the lives of the people who reside in that community, but also asserting that the founders' legacy continues through the efforts of

trustees and associates who share their point of view and valuable time to make informed grantmaking decisions on behalf of the foundation. This tension in philosophy between focusing on the charter and on constantly changing needs are perhaps resolved by the 2014 philosophy statement, which portrayed the board as enactors of the legacy of the founders through the foundation. Here again is support for the argument that this particular foundation intentionally seeks to balance family purposes (through application of the creative energies of a board composed primarily of family members) and social impact purposes (through an emphasis on directing those energies toward the fulfillment of donor intent).

The foundation's grantmaking guidelines also evolved significantly from the first Annual Report to the most recent, becoming successively more complex and directive as the foundation embraced its transition from reactive grantor to creative problem solver. In the mid-1970s, the guidelines were simple: serve the geography of the foundation and send a letter detailing the amount needed. A slight increase in formality followed in 1979, when applicants were informed of four limitations (serve the geography of the foundation, and no funds for travel/conferences, organizations with discriminatory practices, or loans) but still no set procedure for submitting requests. This was remedied in 1984 with guidelines for successful applications (creativity, self-sustainability, improving existing programs/starting new ones rather than requesting operating support for ongoing efforts, and leverage) and for grantees (clear goals and objectives, strong and publicly accountable management structure, willingness to innovate, willingness to collaborate, and advancing free enterprise as well as a free and open society).⁹⁷ This language was followed by examples of the types of programs and organizations the foundation supports, with an emphasis on collaboration, leverage of foundation resources and new areas of interest:

⁹⁷ In addition, a request should be based on a program/concept that is not of interest to other funders.

Education, science, local/state economy,⁹⁸ and benefit of place (improving the quality of life in the community to which the foundation is committed). Leverage was of particular importance in grantmaking around benefit of place, as were programs and services that served youth and seniors. Also, from 1984 through 1997, the guidelines noted that due to its practice of awarding multiple year-grants, the foundation's income was obligated for many years ahead. In 2000,⁹⁹ this language was replaced by an assertion that the number of worthy grant requests far exceeded the resources available to address all of them. In 2008, grantmaking guidelines were removed entirely, leaving only a statement of the organization's grantmaking philosophy. In 2009, the guidelines remained absent, save for the assertion that the foundation would continue to contribute to organizations that make a real and sustainable difference to the populations of interest to it. In 2010, the philosophy returned, but the full grantmaking guidelines did not return until 2011.

The point of this detailed summary is to underline that while the grantmaking philosophy may have been fixed, grantmaking guidelines (including grant purposes) were at least somewhat more dynamic. Given the emphasis on the founder in the grantmaking philosophy statement, but the clear (if only implicit) role of the board in modifying (or omitting altogether) the guidelines, the organization seems to fit the agency theory account of a family purpose-oriented foundation (but only slightly, since the grantmaking priorities shifted only modestly over the period for which annual reports are available), based on the guidelines alone. However, when the grantmaking guidelines are considered along with grantmaking philosophy, the implication is not necessarily that grantmaking priorities shift, but rather that in furtherance

⁹⁸ This was replaced in 1994 with Arts and Culture, which continues as a program example thereafter. However, in its guidelines for that year and ongoing, the organization noted under the "benefit of place" category that local initiatives, particularly private initiatives, are important to economic development and job creation, suggesting that the foundation would still entertain requests of this type.

⁹⁹ Annual Reports for 1998 and 1999 are not available.

of donor intent, the foundation adjusted its grantmaking to better serve the ever changing needs of the population of most importance to the founder. Stated differently, while the foundation's commitment to fulfillment of donor intent never wavered, its grant making strategy shifted to reflect a changing environment.

The Board of Directors

Finally, annual report references to the board of directors and to individual members, particularly when they are elected to the board or to new positions and when they leave the board, illustrate most clearly that family serves as an underlying operating principle within which social impact purposes can be fulfilled. The pattern of incoming and outgoing board members over the review period, as well as how those entries and exits were addressed in the annual report, demonstrate the importance of family to the organization.

New board members were typically (but not always) welcomed in the president's letter for the year in which they were appointed (as in 1982, when the board added a family member and its first non-family member to the board). Between 1975 and 2015, a total of sixty-five (65) members or associates served on the board. Of that number, as of the end of 2015, only five (5), or roughly eight percent (8%) were non-family members. In addition, twenty-one family members (roughly 32%) served in multiple roles on the board (associate/trustee, trustee/officer, officer/different officer, for example). These numbers are included only to highlight the extremely high percentage of family members comprising both the directors and officers of the board. Family Board members are appointed for life. Thus, because most departures were due to the death of the board member, such occasions usually resulted in memorials either in the President's letter or as a feature in the annual report (particularly for high-profile board members, such as officers). Those departures that were not the result of the death of the member resulted in brief acknowledgement and statement of gratitude for their service.

While all these facts are relevant of greater interest is the evolution of the board, as captured by the following key narratives in annual reports:

1. Addition of the first non-family member: In 1982, the organization appointed its first non-family member to the board. This was not highlighted in 1982 and only briefly mentioned in the context of the addition of two other trustees in 1984. In fact, in 1984 another family board member received more attention as the youngest trustee on the board and the first great-grandchild of the founder to serve. The limited number of non-family board members who ever served on the board were referenced in the annual report during or soon after the year of their appointments, and the connection of each outside board member with the foundation or the company from which the foundation was created was highlighted.
2. Creation of the associate positions: in 1992, the board president noted that the foundation had created associate positions to allow three younger family members to sit in on meetings with the trustees. The implication was that they were not fully participating members of the board, but the president noted that the board looked forward to “fresh, new ideas” from the associates. Associates serve for a period of one year only and must be family members. Although this was never explicitly stated, the purpose of the associate program would appear to be to allow the associate and the board to determine whether the associate would be a good fit as a full trustee. Indeed, ten (10) associate members became board members during the review period, with two becoming officers (including one who later became board President). Yet, the high number and brief tenure of the associates suggest that the primary purpose of the position is to expose a broader range of family members to the work that the foundation does.

3. Expansion of the Executive Committee and its role within the organization: In the early 2000s, the annual report noted the formal creation of an executive committee composed of the organization's officers, with the addition of a chair position. Although the existence of an executive committee since 1975 was implied by the presence of officers on the board, this was the first time that the executive committee was explicitly mentioned. In the context of highlighting the committee, the president also noted that the purposes of adding the chair position were to broaden representation on the committee and nurture talent for future service. This latter assertion assumes that board officers at lower levels (secretary, for example) may be groomed for "higher" positions, including president. In fact, that occurred for just four (4) executive committee members, including one who went from associate to president (via the positions of trustee, secretary and treasurer).
4. Memorials for departed board members and mention of members who have left the board: Finally, each time a board member died, the manner in which that death was acknowledged evolved from a simple memorial statement in the President's letter (the first such death during the review period occurred in 1983) to tribute sections in each annual report following the death of a board member. This is only worth noting because prompt memorials appear to be a priority for the foundation, underlining the family aspects of its purposes.

Conclusion

A number of themes emerge from this case study that suggest that classification into Group Two is a meaningful distinction, rather than simply an intermediate one. Given their balanced emphasis on family and social impact (which is itself contrary to expectations), these are organizations particularly ripe for further study, as demonstrated by the following salient points from this case study:

1. The relevance of social impact purposes are manifest in several specific aspects of organizational function, including consistent references to donor intent, the organization's grantmaking philosophy and its emphasis on partnership, the focus of most President's letters on the external environment and the foundations impact on it, and the deployment of innovative grantmaking practices, including the provision of operating support, outcome-centered grantmaking and active collaboration with grantees.
2. Yet, the relevance of family purposes is equally manifest in several aspects of organizational structure, including the strong and enduring level of family representation on the board of directors and the most robust family board member development program in the entire sample.
3. Accordingly, the organization appears to balance family and social impact purposes, although family purposes are clearly less (but still meaningfully) important. Whether this is true of other Group Two organizations (and whether an organization can be functionally focused on social impact, while also structurally focused on family purposes) is a question worth further exploration.
4. Place is important to this particular organization. Another organization to which place was particularly relevant was discussed in the previous chapter. The respondents from this organization rated the two purposes relatively closely, but in this case, the geography of the founder seemed to be the basis for the importance of place, whereas in the previous case, the geography of the family was more important. This suggests that the relationship between purpose and place, particularly in the context of agency theory (since place may consistently be a critical component of donor intent) is worth further exploration.
5. More generally, the evolution of priorities during the review period were more in line with agency theory expectations around social impact purposes, since those priorities remain

relatively fixed despite the broad latitude offered by the purpose statement. In addition, although the priorities never depart from the geographic focus set by the founder, they appear to evolve from direct enactment of the donor's stated intent to the realization of donor intent through engaged and well-informed trustees.

6. Institutional theory suggests that high social impact organizations are more likely to engage in collaboration due at least in part to increased sensitivity to external influences. Yet, the high degree of family representation on the board suggests that the organization should be less likely to collaborate with anyone. This apparent discrepancy might be explained by the explicit adoption of collaboration as an organizational value, particularly given the degree to which it receives attention even before that value is formally articulated in 2011. The original charter sets forth no value on collaboration per se, so this could clearly be considered a family priority, rather than one of the founder. Yet, in this case, the purpose of the organization, as set forth in the charter, is explicitly to benefit the residents of a particular city and state. Within the context of this limitation, perhaps collaboration is more likely given the presence of other foundations with the same commitment to place.

The next chapter will examine a Group Three organization, for which family purposes were asserted to be significantly less important. Through review of the limited amount of information the organization itself has published, along with material from the organization's key partner, this assertion will be examined.

CHAPTER EIGHT

CASE STUDY THREE

Introduction to Case Study Three

The primary purpose of the foundation selected for Case Study 3 (Survey Respondent 14) is clearly the fulfillment of donor intent, and that donor intent is indisputably outward-focused. Yet, the board is primarily composed of family members during the review period (like the case study subject in Group One), albeit with a significant percentage of trusted advisors and a non-family executive director. In addition, the founder asserted in his original statement of intent that the foundation should exist only as long as the family wants to carry on the legacy, again an expected feature of a Group One organization. Where this organization differs from most other organizations of any type in the sample is in the strongly directive vision of the founder.

In fact, this organization (founded in the early second half of the twentieth century) was chosen because its statement of purpose is very specific and detailed, with five main focus areas painstakingly delineated by the founder and closely followed by the organization today, under the leadership of the founder's son: education, environment, arts and culture, health care, and community service (i.e., meeting the needs of the community in which the foundation is located). This represents a particular contrast with case study 2, in which the mission was much broader.

Also in contrast with case study 2, the founder was very much engaged in the organization from its inception in the mid-1960s until his death (in 2014, two years before the end of the review period). This does not necessarily affect the predictions around engagement in networks and board composition, but it might have implications for the organization's

grantmaking focus, which might be expected to remain particularly centered on the priorities of the founder throughout the review period.

This foundation offered abundant information on its website regarding its philosophy, strategy and history, as well as press releases and announcements regarding its work from 2007 through 2016. These materials were drafted by staff and board affiliated with the foundation, as well as external partners when the foundation deemed such communications to be worth including on their website. Review of the website's archives over this period forms the core of this analysis. Like Case Study 2, the story that the organization tells about itself evolves over the review period, focusing particularly around the following areas:

- 1) The major tenets of donor intent and how they are being fulfilled
- 2) Spotlights on grantees, particularly in cases in which those grantees' stories reinforce a major theme in the foundation's mission or values
- 3) The founder's activities, beliefs and history
- 4) Collaboration with other organizations and engagement in networks
- 5) Highlights of particular issues important to the founder through reports on conferences and speakers sponsored by the foundation.

Accordingly, the majority of this chapter is organized around these themes and how they intersect with family and social impact-oriented purposes, followed by a conclusion suggesting avenues for further exploration suggested by this case. In addition, the chapter will briefly review grantmaking patterns for the organization to examine whether its focus and stability in grantmaking increase or decrease over the founder's lifetime. Unfortunately, grantmaking data are not yet available for the period after the founder's death.

Mission and major tenets of donor intent

The organization's mission focuses on developing leaders in the four substantive areas outlined above and on the quality of life in the region in which the foundation was established. The first posts by the organization to its website address the four substantive areas and the basis for their selection, as well as the geographic priority of the organization:

- 1) *Environment*: This was the founder's highest priority when the organization was founded and remained significant throughout the review period, according to materials written by the founder's son. It involved supporting collaborative approaches to addressing significant short-term or long-term environmental threats and leveraging government funds to facilitate the recovery of damaged or distressed ecosystems.
- 2) *Education*: For this foundation, "education" primarily meant incorporating environmental stewardship into a conventional high school curriculum in order to create future environmental leaders. In fact, the founder's son notes (again in written communication) that this was the founder's most powerful tool for preserving the ecosystem.
- 3) *Arts and Culture*: Although foundation documents noted that the arts represent a particularly potent tool for community regeneration, bringing visitors (and potential residents) back to a central city core, its program primarily involved support for a single institution in the city in which the foundation was created. In that context, however, support for the organization is very broad (in fact, "...whatever it needs", according to documents published on the website).
- 4) *Health Care*: Here again, the foundation's support was directed to a single institution, for which it has provided substantial capital and operating funds. The Board President at the time the priorities were initially articulated online was born at that particular institution.

5) *Community Service*: The donor was known in the community for working to rebuild distressed neighborhoods through rehabilitation. One institution is identified as a paradigmatic example in this area, because the foundation made a grant for construction of a new facility to the organization with the stipulation (accepted by the grantee) that it be built in accord with sound environmental principles.

Thus, the foundation's priorities as initially articulated were interwoven, with environmentally sound building principles being incorporated into any construction project and efforts to instill concern for the environment being incorporated into educational curricula. In fact, as suggested above, education was considered the core of everything the foundation did.

Over the years, those principles were re-articulated to varying degrees by the foundation's public communications and posts. However, the emphasis largely differed depending on whether the communication was drafted by foundation staff and board members, or third-party sources, with communications from external partners (that were nonetheless published on the foundation's website) consistently citing the founder's commitment to environmental stewardship, while communications drafted by a member of the board or staff of the foundation cited the founder's efforts in education. As an example of the former, when the founder received an honorary doctorate, the focus of the university president's remarks was the substantial impact of the founder's environmental advocacy. Communications drafted by the foundation itself included articulations of the founder's commitment to Junior Achievement and the universities within the foundation's region and state.

The vast majority of this material appeared when the donor was still alive. If an organization is social-impact focused, little change should occur in the story the organization tells about its own values. If the narrative shifts at all after the founder's death, it should be *more* focused on those values, as the donor is no longer present to articulate them and the

organization's primary goal should be to enact them faithfully. The founder's emphasis on four program areas and on one particular community were consistently articulated in news and event coverage following the founder's death.¹⁰⁰ However, in an external communication published by the foundation on its website, one subtle change appeared in the its statement of purpose: In early statements, the founder referenced the main interests of the foundation as environment, education, health, the arts and balancing economic growth with environmental responsibility, while listing the community as context. The third-party communication in 2016 placed the focus on improvement of the community in which the foundation is located, then referenced the five areas of interest. This rephrasing on the website suggests that the primary organizing principle for the foundation following the founder's death became more centered on place, rather than, for example, education within the context of an emphasis on the environment.

Spotlights on grantees

Throughout the foundation's narrative appeared the stories of grantees who made significant accomplishments, or of which the organization is particularly proud. Early references to grantees cited the founder's personal connection or prior interest in their efforts. This evolved fairly quickly into an emphasis on the impact of particular grants, particularly in inducing grantees to employ approaches they may not have undertaken without foundation encouragement. For example, in addition to the grant highlighted above through which the foundation induced the grantee to adopt environmentally responsible building practices, the foundation reported on other capital grants with the same stipulation, noting that the buildings would thus be less expensive and more environmentally friendly over the longer term as a result

¹⁰⁰ However, given that this information extends only two years after the founder's death, both news and event coverage may be relating activities and priorities conceived (or at least endorsed) by the founder.

of the foundation's engagement. The foundation also used a particular grant to highlight its leadership in a specific project with a broader impact on the community than just production of a physical asset. In at least one case as noted above, evidently because of the founder's personal connection to the grantee, the foundation took a "whatever the organization needs" approach, which positioned the recipient to substantially broaden the range of services it provided to individuals within the community.

Collaboration

Even if it was not explicitly mentioned, implicit in most grantee stories featured on the foundation's website was an emphasis on collaboration. The degree of involvement with local community leaders that this level of collaboration required (according to the foundation's published materials) is in line with institutional theory expectations for social impact purpose-oriented organizations; however, the early emphasis on the personal connection of the founder to grantees could suggest that the foundation's initial character was more family purpose-oriented. Although it could just as easily be explained by an increase in sophistication and formalization on its part, the foundation's ongoing engagement in networks suggests that at least for most of its history, it was focused on social impact. Soon after the founder's death, the foundation board worked with a range of partners to initiate a form of prize-based philanthropy intended to support the best ideas in environmental preservation. The close alignment of these new efforts with the priorities of the founder suggest support for the agency theory predictions regarding program stability for social impact purpose-oriented organizations.

The founder' activities, beliefs and history

Articulation of the founder's beliefs are a consistent part of the narrative. Although the foundation's values were not often enumerated as such, the founder's emphasis on the relationship between environmental quality and economic growth was a consistent theme in

the organization's narrative, often in the founder's own words. Stories about the founder abounded, highlighting leadership (as in successful conservation and environmental remediation collaboration), importance (as one of the city's most powerful people, according to a local publication cited by the foundation) and generosity (given the substantial commitments to a range of efforts in the city). None of these assertions appeared in the founder's own words, but where the founder was quoted often was to relate foundation giving to the founder's parent, with a substantial number of grants made in the parent's memory or honor, particularly to the founder's diocese or to the hospital where the founder was born. This theme endured throughout the period under review.

Conclusion

This case provides equivocal support for the predictions set forth in Chapter one. This foundation has a high percentage of family board members (75% over the period reviewed), but it rated social impact-oriented purposes more highly than family-oriented purposes. It reports significant collaboration with other funders and community institutions from its start, yet the language it uses initially is family-centered. Finally, it has a clear and detailed statement of purpose, as would be expected of a social impact purpose-oriented organization.

These results may be due to the relatively small distance between the family rating (5) and social impact rating (10) on the relevant survey question, and raise the possibility that the question was easily misunderstood or not sufficiently detailed. However, where this organization is unique within the sample is in the founder's active engagement for most of the review period. This may result in an emphasis on social impact if that was the founder's main priority, as it seems to be based on materials written by the founder and published on the foundation's website. However, that in turn would suggest that over the review period, the composition of the board would shift toward experts in the foundation's areas of interest. The

fact that this shift in composition does not occur could be explained by the persistence of family bonds, but it could also be explained by the founder's leadership in the fields of activity in which the foundation was working, as shown by his ability to convene substantial (and particularly influential) partners to further his goals. If the founder was among the pre-eminent authorities in the foundation's area of interest, then perhaps the board saw no need for experts (or could easily find the expertise when necessary). This again may suggest that while the survey respondent may have rated the foundation as being family purpose-oriented, possibly because of the percentage of family members on the board, the founder's active engagement meant that the founder's vision and priorities took precedence over the rest of the board's priorities, such that the foundation behaved like a member of Group Three.

A social impact focus should also result in a stable set of grantmaking priorities (if not grantees). In fact, the grantmaking priorities of this foundation do indeed remain focused on the founder's vision during the period for which information is available. Even a proposed additional priority on energy-use reduction referenced after the founder's death is in line with the original environmental priorities of the founder. Of course, without the founder's active participation, the organization may evolve into a different governance structure or adopt different grantmaking priorities, but whether it will or not is a question that remains for the organization to answer over the next several years.

CHAPTER NINE

DISCUSSION, LIMITATIONS AND FUTURE RESEARCH

The purpose of this dissertation has been to examine differences among family foundations. By asking a sample of family foundation trustees to rate the importance of family purposes (for example, strengthening family cohesion or transmitting family philanthropic values) and social impact purposes (for example, making an impact on an issue or cause of importance to the founder or family), this study sought to determine how this difference of purpose affected how foundations operated. Per Table 25, Agency Theory and Institutional Theory offered several predictions regarding how family foundations might vary based on those ratings (see pp. 8-11 for more detail on these predictions):

Table 25. Re-iteration of initial hypotheses

	Family Focus	Social Impact Focus
Agency Theory	<ol style="list-style-type: none"> 1. Greater family representation on the board. 2. Efforts to prepare successors focused on the nature of family philanthropic values and how to implement them. 3. Less focused and consistent grant making, in terms of program area and grantees, with less program stability. Possibly greater level of legacy grants and discretionary grants. 4. Lifespan linked to anticipated duration of family involvement. 5. Less likelihood of full-time staff. 6. Lesser likelihood of participation in affinity groups, but to the extent that there is any participation, it will be in associations emphasizing the family nature of family philanthropy. 	<ol style="list-style-type: none"> 1. Greater expert and trusted advisor representation on the board. 2. Efforts to prepare successors focused on building program knowledge. 3. More focused and consistent grant making, in terms of program areas and grantees, with more program stability. Possibly lower level of legacy grants and discretionary grants. 4. Lifespan linked to anticipated time to resolution of the problem or issue the foundation seeks to address. 5. Greater likelihood of full-time staff. 6. Greater likelihood of participation in affinity groups focused on the social impact nature of family philanthropy.
Institutional Theory	<ol style="list-style-type: none"> 1. Lower likelihood of participation in any association or affinity group. 2. Lesser similarity to self-identified peers. 	<ol style="list-style-type: none"> 1. Greater likelihood of participation in any association or affinity group. 2. Greater similarity to self-identified peers.

These predictions were tested through qualitative and quantitative analyses of surveys from a total of twenty-two (22) respondents representing nineteen (19) organizations, interviews with survey respondents representing eight (8) foundations (one of which did not rate the importance of family-oriented purposes and social impact-oriented purposes and therefore was not sorted into a Sample Group) and three (3) case studies, one from each Sample Group. The results of those analyses have been set forth in the previous chapters. This chapter will examine the degree to which those results confirmed the predictions above, and is organized around the following questions:

- 1) Do trustees, and by extension, the organizations they represent, differ in their ratings of family and social impact purposes?

- 2) If so, do the differences in rating result in meaningful differences between family purpose-oriented foundations and social impact-oriented foundations in terms of board structure and function, grant making, staffing, participation in networks and similarity to peers?
- 3) How well do Agency or Institutional Theories account for these differences?
- 4) What do these findings imply for understanding family foundations?
- 5) What limiting conditions must be taken into account?
- 6) What questions remain unanswered for future research?
- 7) Why does this research matter? What practical and scholarly value does it have?

Family and Social Impact Purposes

Prior to examining questions related to what difference an emphasis on family-oriented purposes or social impact-oriented purposes mean for a family foundation is a more fundamental question: do family and social impact purposes as defined for purposes of this study matter at all? Respondent ratings for both were non-zero for the most part, which suggests that they are at least relevant. Of course, respondents may have felt compelled to provide some rating and thus done so arbitrarily. In fact, however, ratings of family and social impact purposes varied across respondents, although social impact purpose ratings had a more limited range. The difference between the two ratings—the *relative* emphasis on family and social impact purposes—was used to sort respondents into three groups: Family purpose-oriented (Group One), Balanced (Group Two) and Social Impact purpose-oriented (Group Three). If survey respondents understood the ratings and completed those questions thoughtfully, then this approach captured both ratings while offering a basis for sorting the sample into groups for analysis.

Did survey respondents understand the ratings? Pilot surveys suggested that respondents understood the definitions of both purposes, as well as what the ratings meant.

Interviews demonstrated that interviewees, at least, had given careful thought to the question and could clearly articulate the basis for their ratings. For Group One interviewees, a key purpose of each foundation was transmitting charitable values to the next generation in the context of fulfilling donor intent in grant making. For Group Two interviewees, a well-functioning family created the context in which the social impact purposes of the foundation could be realized. Finally, for the one Group Three interviewee, family purposes were viewed as irrelevant. Case study results further reinforced the significance of both purposes. In the Group One case study, the board was composed solely of family members throughout the review period, and the active engagement of the founder and the family with a range of organizations with complementary missions suggests the importance of family purposes. In the Group Two case study, a high percentage of family board members and efforts to educate and recruit members from different branches of the family were balanced by an increasing emphasis over time on partnership and proactive grant making for greater impact in the areas of foundation concern. As for the Group Three case study, the founder's strongly directive vision for the foundation was counterbalanced by the assertion that the foundation should exist only so long as the family views it as being of value to the community in which the foundation was based. This might be viewed as supporting the lifespan prediction for social impact purpose-oriented groups, since the founder suggests that the lifespan of the foundation should be linked not to its value to the family, but to the foundation's value to the community in which it is rooted.

Thus, survey, interview and case study results appear to affirm the relevance of both family and social impact purposes to the respondents, and reinforce the claim that different foundation trustees (and by extension, the organizations they represent) value family-oriented purposes and social impact-oriented purposes differently. The next question is whether differences in those ratings relate to differences in practice, including: board composition and

function, mission of and motivating factors for creating the family foundation, grant making, participation in networks and similarity to peers.

Boards of Directors

Composition: As predicted by agency theory, Group One had a lower percentage of non-family board members than either Group Two or Group Three. Moreover, family members had longer tenures in Group One than in Group Two, although only slightly longer than in Group Three. As predicted by institutional theory, the composition of boards of directors in Group One was unlike their self-identified peers, while Group Three board composition was very similar to their peers, with Group Two falling in between.

Also examined in this regard was board interlock to see if similar organizations in the same city appointed the same non-family members to their boards to take advantage of specialized knowledge or useful networks. Such interlocks were expected to be more common in Group Three, and that turned out to be the case. However, although the occurrence of more interlocks in Group Three than Group Two (with none in Group One) is as predicted, this finding is complicated by each respondent's selection of peers: in each case of overlap, the foundations represented and their peers were either from the same family or share another pre-existing relationship. In other words, some Group Three respondents apparently selected their peers based on relationships, rather than (for example) similar grant making strategy or priorities.

Not predicted by either theory was the high percentage of family board members across all three Groups and the higher percentage of non-family members in Group Two. This is despite the fact that more Group Two organizations had some requirement for family service on the board than either Groups 1 or 3. Given their emphasis on family-oriented purposes, more Group One organizations could reasonably be expected to include some requirement for family service on the board. However, the highest number of foundations with such requirements were in

Group Two. Also, where respondents indicated that some requirement for board service applied, all but two selected only one such requirement, and one (Respondent 64: Group One¹⁰¹) selected two. However, Survey Respondent 10 (Group Two: Family 8/Impact 10) selected five out of six possible options. The other exceptional aspect of this particular organization was that its grant making had a single and very stable purpose throughout the review period, suggesting that its rating of both family and social purposes as high was an accurate reflection of its prioritization of both purposes.

The agency theory-based prediction was that Group One would be more likely than either Group Two or Group Three to maintain some formal requirement in its bylaws for family representation on the board. One possible explanation for the absence of such formal requirements for Group One foundations was suggested by Interviewee Two, who noted that because the purpose of the foundation (to serve as “...a real learning experience for the family”) is not furthered by outside board members, including such members was not really a consideration for the board. The presumption that the board would always maintain its family character meant that the foundation saw no need to create formal requirements for family service on it.

Among Group Three organizations, Interviewee Eight noted that capturing the right skill mix is more important to fulfilling the foundation’s mission than maintaining significant family representation on the board. Consequently, the absence of formal requirements for family service in Group Three is a logical extension of the foundation’s social impact purpose.

But why did more Group Two organizations report formal requirements for family service on the board? One possible explanation is suggested by Interviewee Seven, who said

¹⁰¹ Note, however, that this respondent was one of three from the same organization, and the other two respondents did not indicate that any such provision applied.

that a well-functioning family served as the context in which a board can pursue its efforts to generate social impact in line with the vision of the founder. For this particular interviewee, donor intent was clearly the reason that the foundation existed, but family governance was considered essential to fulfilling that donor intent. This is echoed by Interviewee Five, for whom the realization of donor intent and the engagement of the family are equally (and distinctly) critical to the family's efforts as board members to honor the donor's legacy. Finally, central to the mission of each of the four (4) organizations represented by the family office in which Interviewee Six was engaged was the realization of donor intent with regard to both family involvement and the impact that the founder envisioned for the foundation's grant making. For each of these organizations, family was an organizing principle, while social impact was the purpose for which the foundation existed. Family governance thus appears to be a necessary but not sufficient condition for the achievement of social impact among the majority of Group Two organizations. This may explain why the foundations of Group Two appear to operate in ways inconsistent with both Groups 1 and 3, who report a more singular focus on one or the other purpose.

Of course, while one possibility with regard to Group Two is that they saw both family-oriented purposes and social impact-oriented purposes as important (and made efforts to advance both purposes), another is that they viewed the distinction between the two as meaningless given that one could not exist without the other. However, comments from interviewees suggest that the latter is not the case. Interviewee Seven (Group Two: Family 8/Social Impact 10), for example, noted that "...the greater [social impact] purposes of the foundation rely on the fact that there is some kind of family glue to make the foundation functional." On the other hand, Interviewee Seven also noted that the family office had an intimate understanding of the founding donor's social impact and family-related priorities.

Engagement of the family was important, but clearly not as important as fulfilling donor intent for the interviewee (or the family office). Overall, these findings suggest that different foundations in Group Two envisioned their purposes (and efforts to balance those purposes) differently from others in their cohort. Why this is the case is a question for future research with a larger sample of similar organizations.

This was further demonstrated by interviewee comments around orientation. The survey results revealed that for this sample, substantial percentages of members of Group One (58%) and Group Three (43%) offered no orientation at all, while all but one member of Group Two (or roughly 83%) offered some form of orientation. Moreover, among foundations providing orientations, the content did not differ significantly between Sample Groups. What did differ was how interviewees from each group conceptualized their efforts to prepare successors. Among Group One foundations, incoming board members learned by doing: by making smaller grants, future directors learned the pitfalls and power involved in giving money away, thus preparing them to make more substantial grants when on the board. For one member of Group Two, successors were identified and oriented through an associate program (associates were family members who participated—but had no vote—in board meetings for one year). Thus, the board could identify strong recruits and let more family members become acquainted with the foundation’s work—in effect, to learn by listening (although interacting with their peer associates was noted as also critical). For the lone interviewee from Group Three, orientation was only briefly discussed in the context of the organization’s focus on social impact. Since a key to the Group Three organization’s board’s functioning was having the right skill mix, and the organization had a well-defined (and partnership-oriented) grant making strategy, board member selection may have been more important than having an orientation.

Another potential explanation for the lack of importance ascribed to formal orientation was offered by Interviewee Two (Group One) and Interviewee Six (Group Two): informal preparation occurred through the family. For Interviewee Two, efforts to prepare the next generation were as much about instilling the right motivation (through continuous emphasis on engaging in philanthropy as a family) as teaching the right skills. For Interviewee Six, even though the organization offered a formal orientation, the interviewee noted that philanthropy “...really starts at home ...it has to be part of [the next generation’s] life and they just have to want to do it.”

Structure and Function

Staffing: According to institutional theory, if having professional staff represents a way that organizations tend to become more similar to their peers, then Group Three foundations should be most likely to employ staff, with Group One being least likely to do so. From the perspective of agency theory, the retention of staff could be considered a prospective source of agency problems; as a result, staff should only be retained if they bring specific knowledge and skills to the organization to which the board has no other means of access. The necessary skill mix would be different for each group: for example, Group One might hire staff that helps board members realize their own philanthropic priorities, while Group Three might hire staff with program knowledge relevant to the founder’s desired impact. Moreover, although family members might possess the necessary skills to fulfill the board’s needs, to the extent that they do not, Group Three should be most likely to hire staff outside the family than the other two Groups.

In fact, of the small number of organizations (eight of the nineteen organizations for which surveys were completed, or roughly 42%) that actually employ staff, one was from Group One, three were from Group Two, and four were from Group Three. The Group One foundation

employed one family member (out of two total), the Group Two foundation no family members, and the Group Three foundations employed three family members (out of six total staff members). Accordingly, the highest percentage of organizations with staff were in Group Three and the lowest in Group One (in line with institutional theory predictions). With regard to agency theory predictions, 50% of the Group One staff were family, none of the Group Two staff were, and roughly 56% of staff in Group Three were. While the family staff in Group Three may have had specialized knowledge regarding program areas in which the foundation wished to make an impact, without this assumption the agency theory prediction does not appear to receive support.

Functions of the organization: Grant making was the function to which boards paid the most attention in all three groups. However, Group Three's mean ranking of attention to grant making (1.43) was marginally ($p < .10$) lower than Group Two's mean ranking (1.00) and Group One's mean ranking (1.16) fell between Groups 2 and 3 (albeit with no significant difference from either). This again is counter to predictions, as agency theory would suggest that the actual function of grant making would be most important to Group Three (as the group most concerned with making an impact). This lower priority on grant making for Group Three corresponded to a higher ranking by Group Three of nomination of board members (or "Identifying and recommending new candidates to the board") relative to both Group One and Group Two and a higher ranking of "creating opportunities for new or prospective board members to learn about grant making" by Group Three relative to Group One. Thus, in line with predictions, "Identifying and recommending new candidates to the board" was relatively more important to social impact-oriented organizations, which presumably sought a range of specialized expertise for positions on its board of directors. However, contrary to expectations,

attention to “creating opportunities for new or prospective members to learn about grant making” is rated as significantly more important by Group Three than Group One.¹⁰²

Thus, selection *and* preparation of new and prospective board members was more important for Group Three than either of the other two Groups. Group Three organizations may view “creating opportunities for new or prospective board members to learn about grant making” as particularly important because it was a function that the board executed through formal training and grant making opportunities, while for Group One organizations, new or prospective board members may have been prepared informally in the context of the family, so that board efforts to prepare successors was viewed as less important.

Strategic planning, in fact, was the second most important function across all three groups, a finding which was reinforced by interview results. Interviewee One noted the importance of recent strategic planning efforts in setting a vision for the foundation’s impact over the next several years, while Interviewee Eight actually rated strategic planning as a more important function of the board than grant making, noting in the interview that the strategic plan was critical in engaging the foundation’s philanthropic peers and nonprofit partners toward shared goals. Agency theory predicts that social impact purpose-oriented organizations would be more likely to develop strategic plans, because they are most likely to be following a strategy for external impact. This was the case for Interviewee Eight as well as the subject of Case Study 3, but it was also true for Interviewees 1 and 2 (both of whom are members of Group One). However, Group One organizations differed from other Groups with regard to strategic planning in that the emphasis on external impact was accompanied by an emphasis on maintaining family

¹⁰² As phrased in the survey (“*new or prospective members*”), this was a double barreled question; the point of this question was to determine the importance of incoming board member preparation relative to other functions. Separate questions regarding “new board members” and “prospective board members” would likely have forced respondents to select one or the other, such that the importance of both items would have been attenuated.

engagement on the board. The organization represented by Interviewee One, for example, was wrestling with the question of how to maintain the close working relationship that characterized the currently all-family board in light of a lack of qualified family members to serve on the board. Outside board members were viewed as a second-best solution and raised issues regarding the continuation of family relationships. For Interviewee Two, continued family representation on the board appeared to be assumed. In fact, the only reason outside representation was even considered by this Interviewee was a requirement for an outside board member imposed by an issuer of one of the founder's insurance policies that names the foundation as a beneficiary. For Interviewee Four, the only reason non-family members would be needed was if the board did not have sufficient knowledge of the community in which it focused its grant making. The interviewee asserted that since the family was intimately knowledgeable about the community, outside board members were unnecessary.

Purposes for which the foundation was created: Three of the family factors were rated more highly by family purpose-oriented respondents (Group One) than by social impact-oriented respondents (Group Three), but the latter rated "involving a broader range of family members" as more important than the former, contrary to expectations. Moreover, "transmitting charitable values to the next generation" was more important to both Group One and Group Three (although most important for Group One) than any other internal factor. In contrast, no Group Two respondent even ranked "involving a broader range of family members" (or "promoting family unity") at all, and the most important family factor for Group Two was "creating a structure for the family's giving." If Group Two organizations do indeed seek to balance family and philanthropic purposes, creating a structure to do so would be the most important function of the organization from an agency theory perspective.

Transmitting charitable values to the next generation, however, was predicted to be most critical for family purpose-oriented foundations, but not as important for social impact purpose-oriented ones. One possible explanation for the high rating that this factor received by Group Three organizations might be that even if family affiliation is not necessarily a priority for incoming board members, those family members who are appointed to the board must be equipped with the tools and training they need in order to carry on the family legacy.

As expected, a desire to support particular causes important to the founding donor was the most highly ranked by Group Three respondents, but among Group Two members, it was also the most important factor by a substantial margin. From an agency theory perspective, if Group Two organizations are trying to balance purposes, fulfilling donor intent would remain important to them. In fact, while all three Groups ranked “desire to support particular causes important to the founding donor” as important, only Group One ranked another donor factor—the founding donor’s awareness of important social problems—as being roughly as important. Also, the aggregated group weightings for “desire to support particular causes important to the founding donor” masked the widely ranging answers in Group Two (in which two organizations ranked it as their second most important factor while the balance did not rank it at all) and Group Three (where four ranked it as second or third most important and the other three did not rank it at all). Neither endowment size nor age appears to correlate with the difference in ratings of this factor within Groups 2 and 3, nor does the recent or current involvement of the founding donor. This suggests either that an unobserved variable might correlate with these differences in ratings or that some foundations that rate social impact-related purposes highly still try to remain faithful to donor intent. Presuming (based on pilot survey feedback) that this factor was in fact clear to respondents, then one candidate for that unobserved variable could

be an informal (or at least unarticulated) emphasis on realizing donor intent versus fulfilling the board's own philanthropic priorities for the Group Three members who rated this factor low.

Although no difference between organizations was predicted in this regard, the mission of respondents could be reasonably expected to be integrally related to purpose. Agency theory would suggest that mission statements, if they are specific, could minimize agency problems by clearly articulating precisely what foundation boards of directors may do with the donor's money (and potentially how they should do it). Moreover, formal mission statements should be more likely for Group Three organizations, as family purpose-oriented boards might be less likely to adopt or maintain a mission statement because it could limit the ability of future (and current) board members to fulfill their own philanthropic priorities.

Yet, for the most part, this was not what the results showed. While the study presupposed that every respondent would have formal mission statements, the existence of formal mission statements was reported by fewer Group Three foundations and an equal number of members of Groups 1 and 2. In addition, two Group One interviewees and one Group Two interviewee considered formal mission statements to be largely irrelevant. Interviewee Four, for example, noted that family members were in complete agreement with regard to the population they wanted to serve and how they wanted to improve conditions for that population, so that [formal] mission statements were "much ado about nothing." Interviewee Six (Group Three) noted that the foundation he or she represented never had a formal mission statement, but instead the board members used the giving patterns of the original donors to guide their own decisions. This suggests that informal understandings of mission or purpose may play a role in guiding family members in their decision making. For example, Interviewee Three referenced the question "What would [Interviewee] and [Interviewee's spouse] do with the money?" as the essential focus for the foundation's efforts to prepare the second and third

generations to take over its leadership. No survey or interview questions attempted to assess the degree to which informal understandings such as this existed, creating a potentially fruitful avenue for future research.

Grant making: The interviews affirmed quantitative results demonstrating that board members from each group viewed grant making as a critical function of their organization. However, the interviews revealed that board members from each group approached grant making differently. For Group One, the key to effective grant making was personal connections to grantees and involvement with grantees beyond monetary support. Moreover, the emotional appeal of an applicant—the degree to which its activities “touch the hearts” of foundation trustees—appears to be important. For Group Two, grant making is more consciously about social impact, but within a family context. For both of these Groups, building relationships was still critical, not only to build grantee capacity, but also because of this same emotional appeal. What interviewees and case study subjects from both Group One and 2 also share is a proactive approach to grant making, involving identifying a need based on knowledge of the community and creating new organizations or developing partnerships with existing ones that can fulfill that need. This approach was at the core of the Group Three interviewee’s strategy as well. Through the development and funding (but not control) of a new organization, the foundation sought to fulfill a need that it had identified by its extensive relationships within the community.

In addition to a willingness to create new organizations, the case studies demonstrate, contrary to expectations, that partnerships are critical for all three Groups. For example, matching grants were mentioned as a strategy by all three case study subjects, but whether those matching grants were made because of scarce resources (i.e., to leverage foundation resources for greater impact) or a genuine desire for collaboration (since other partners might bring resources and technical expertise that the foundation itself does not possess) is unclear.

Case Study One (Group One: Family 10/Social Impact 8), in particular, suggests the latter, as do Interviewee One (Group One: Family 9/Social Impact 9) and Interviewee Eight (Group Three: Family 1/Social Impact 10), since each had a well-defined outcome in mind for grant making that could not be achieved with each organization's resources alone. Interviewee Seven and Case Study Two also suggest that achievement of a shared goal is at the heart of collaboration for Group Two organizations. Finally, the subject of Case Study 3 explicitly references using its own scarce resources to inspire others to give.

This emphasis on collaboration should be more common for Group Three than any other Group, given Group Three's greater participation in networks and associations. However, regardless of the group in which each foundation was categorized, each representative of the foundations that expressed the importance of collaboration also expressed a commitment to a specific place, whether that place be where the founder lived or the current family board members live. For example, the majority of grants by the foundation in Case Study One during the review period were to organizations in the community in which the founders live, but the organization expanded its efforts during the review period (as reflected in its current grant making guidelines) to communities in which the children of the founder were located. This is in line with agency theory predictions on grant making, since this family purpose-oriented foundation provided funds where family members were living, affirming that family interests are an important (if not the most important) factor in grant making.

Association involvement: Institutional theory suggests that organizations with higher levels of uncertainty might alleviate it by involvement in associations that offer ideas from peers about best practices. Family purpose-oriented organizations may experience less uncertainty regarding their grantmaking precisely because their goals relate to the fulfillment of family purposes, whatever they might be. Accordingly, they might be less likely to participate in

associations, other than those, such as the National Center for Family Philanthropy (NCFP), which emphasize the family nature of philanthropy.

In fact, association involvement for the sample did not conform to expectations at all, with the average number of associations in which the respondents were involved essentially equivalent across all three Groups and the directionality of the differences (highest number of participations in Group One, second highest in Group Two and lowest in Group Three) contrary to expectations. NCFP membership was most common in Group Two, rather than in Group One, while the most common association for Group One (with four out of 6 respondents indicating that they were members) was the Council on Foundations. None of the organizations in the sample was a member of Grantmakers for Effective Organizations, and only three (two Group One and one Group Three) were members of Exponent Philanthropy (the current name of what used to be called the Association of Small Foundations).

The similar responses to this question across groups suggest that relative certitude about the importance of fulfilling family purposes does not translate into certainty about how best to do so. The direction of the differences suggests that Group One organizations actually experience a higher level of uncertainty than their counterparts, which they seek to alleviate by engaging with their peers through a national association that is not at all limited to family foundations.

However, the question only asked about formal associations. The majority of Group One interviewees from Indiana were also involved in an informal association convened by a local philanthropic leader. Whether such informal associations are complements or substitutes for formal associations remains a question for future research.

Foundation narratives

If the distinction between family-related purposes and social impact-related purposes is meaningful, the narrative related by interviewees from Group One should have been relatively more focused on family history, family values, and the geography of the family, while efforts to prepare successors within family-focused foundations should have emphasized the nature of family philanthropic values and how to implement them. Paradigmatic in this regard was Interviewee Two, one of two respondents (and the only interviewee) to rate family purposes more highly than social impact purposes. This respondent was very clear that a critical reason for the organization's existence was to integrate more family members into the family's philanthropy, which had previously been the province of the founder and the founder's spouse. Through creating opportunities for learning by doing and by consistently and emphatically articulating the importance of philanthropy to the family, Interviewee Two also endeavored to pass along both the passion and the skills necessary for the next generation of the family to succeed in philanthropy. The quantitative data showed, as well, that the foundation behaved as predicted for a family purpose-oriented organization, with a high percentage of family board members, an increase in the number of grantees over the 14-year review period and a high percentage (81.6%) of grants being unrestricted. Interviewees 3 and 4 also came from Group One, and also focused a significant portion of their interview narratives on family history, although each also talked about their grant making strategies. All three organizations referenced the involvement of family in their philanthropy as an explicit purpose for their foundations at the time they were created. Moreover, family values, either rooted in a faith tradition, a sense of obligation to give back, or a desire to teach the next generation the importance of philanthropy, were at the core of the narrative for each Group One interviewee.

Where the Group One interviewees diverged from one another was in the nature (or even existence) of efforts to prepare successors. In contrast to Interviewee Two, Interviewee Three implied that board development was not a consideration (for the interviewee, at least) because the board members were now entirely located in another city, in which the foundation employed a separate executive director. Like Interviewee Two, however, Interviewee Four noted that part of the foundation's purpose was to instill the principle of "giving while you are blessed" by involving the interviewee's children in the family's philanthropy.

The high percentage of family representatives on boards across the three groups was contrary to expectations, as was the finding that formal requirements for family service on the board was most common for Group Two. Moreover, a higher percentage of Group Two respondents reported that the family (rather than the founder or the board of directors) crafted the organization's mission statement compared to the other Groups. Given the high level of family representation on the boards of foundations in Group Two, the respondents may have viewed "the family" as equivalent to "the board".

Another explanation for these unexpected findings is that the respondents in Group Two may have genuinely sought to balance family and social-impact purposes. For example, Interviewee Seven noted, "The greater purposes of the foundation rely on the fact that there is some kind of family glue to make the foundation functional." Interviewee Five made the same point: One of the foundation's primary purposes is honoring the legacy of the parent that created the foundation, then died unexpectedly; however, the social purpose of the foundation continues to be important because part of honoring the parent's legacy is producing the kind of impact that the parent wanted to realize through his giving. Finally, Interviewee Six⁰ referenced getting the second generation of the family involved in grant making by providing "...access...but without the pressure" to the family's grant making activity. For Group Two, if family is the

indispensable context in which effective grant making is performed, then social-impact grant making is an indispensable expression of family purposes.

As the only representative of Group Three in the interview sample, the narrative of Interviewee Eight should have focused on the social impact of the organization, as well as donor intent. In fact, this is precisely the case. Moreover, the survey responses by Interviewee Eight further confirmed the predictions of agency theory: the majority of the board members during the review period was non-family, with a particular emphasis on experts and local leaders. In addition, the organization's grant making was the most focused in the entire sample, likely because of its partnership with a single community nonprofit (although it did give to a limited number of other organizations). Finally, the most important element of its orientation for new members dealt with the giving priorities of its founder. While the organization departed from expectations in the respondent's failure to name peers, the organization's work incorporates principles of leverage and partnerships to magnify the impact of its relatively scarce resources. Thus, while peer groups may not have been important to the interviewee (and the foundation), partners certainly were. Although no firm conclusion can be drawn from one organization, the results suggest that foundations which emphasize social-impact purposes more than family purposes operate differently than those with the reverse emphasis.

Limitations and further research

The conclusions of this study are subject to significant limitations, because of the small sample size. Representatives of only 19 organizations from two states (Indiana and Michigan) completed surveys and representatives of seven foundations agreed to be interviewed, with a representative from an eighth providing written responses to interview questions.

Nonetheless, the study does at least suggest that the concepts of family-related purposes and social impact-related purposes are relevant to family foundation trustees and that

organizations that place a greater emphasis on one or the other differ on other dimensions as well. While the small sample size made statistical testing difficult, the direction of differences was as predicted in many cases. Replication of the quantitative components of this study with a larger sample size across a broader number of states could determine if these differences are real. However, the difficulty of obtaining responses from this particular population, which appears to value its privacy, will render replication extremely challenging.

Although small sample size was the most significant challenge to generalizing the conclusions of this study, selection bias is also a potential limiting factor, given the opportunistic sampling design. Undoubtedly, the study would have greater external validity if the sampling strategy were based on random selection that produced a larger sample size. Also, the sorting of the sample by the difference between respondent ratings of the importance of social impact purposes and the importance of family purposes may not have been optimal; a more defensible basis to sort the sample into Groups for purposes of this analysis may have been to use only family ratings, since those ratings exhibited a greater level of variation than social impact purposes. However, the difference between the two ratings offered meaningful variation while also taking both ratings into account.

Future research on this topic might first include replication of the study with a larger sample to determine if this study's findings generalize to a larger population and across a broader range of states. For example, the emphasis on partnerships may be lessened among larger foundations that have the resources to engage in unilateral action. Worth noting, however, is that Interviewee Seven represented the foundation with the largest endowment in the sample. While it could have still made a significant impact through unilateral action with only the foundation's own resources, it chose not to do so because collaboration is (and has been) a core value for the board.

Several other unexpected results arose from the interviews and from comments included in survey responses, which suggest avenues for further exploration:

The Importance of geography, either of the founder or the family: The majority of interviewees expressed a commitment to a specific locale. For example, Interviewees 7 and 8 both noted that their mission statements revolve around the city in which the foundation was created, while Interviewee Three noted that the family's philanthropy was in the process of following the family away from the city of the founder toward the city in which the majority of the family was then located. Moreover, over a quarter of the survey respondents (three from Group Two and two from Group Three) cited a shared location as a basis for identifying peers. Even one member from Group One, who identified peers based on having "many of the same grantees," shared with them a commitment to a specific place. Geography may simply be a convenient and efficient operating principle, or it might be an indication of a sense of obligation on the part of family foundation trustees to the place in which they are located (and in many cases, where the family made its fortune). The interview results suggest the latter and raise the question of the conditions under which geography becomes more or less important for grant making.

Collaboration: A related question is the relationship of family-driven, place-based philanthropy to local community foundations and other funders with overlapping grant making areas. A common (albeit not universal) theme across the interviews was collaboration with local nonprofits, community foundations, other private foundations, and city governments. As noted by one interviewee, with the relatively limited resources of many family philanthropies, collaboration (and the resulting leveraging of the foundation's resources) can be critical to making an impact. The conditions under which collaboration is most likely to arise, as well as the

factors that influence the role (convener, active participant, or passive funder) that family foundations play, are, the study suggests, worth further exploration.

The role of Informal networks among grant makers: While formal relationships, through the Regional Associations of Grantmakers and similar bodies, were predictably cited as important, several interviewees noted that informal relationships with other foundation trustees were critical to their introduction to and practice of family philanthropy. In three of the interviews, a particular informal quarterly meeting of family foundation trustees was cited, with two of those interviewees noting that they had built mentoring relationships out of these gatherings. The degree to which such informal networks exist and the purposes they serve are ripe for further exploration, if one can gain sufficient cooperation from foundation trustees.

Personal relationships with grantees: Several interviewees noted the importance of personal contact with grantees, including actively volunteering with them, providing management and capacity-building assistance and responding to invitations for site visits. However, the interviewee representing the foundation with the largest endowment (and the only one among the interviewees with more than minimal staff) did not mention this, raising the possibility that such contacts could vary with the size of the organization. Since more Group One organizations cited the importance of personal relationships, such relationships may be especially important for advancing family interests. Neither agency theory nor institutional theory suggested that personal ties might be important. The reasons they are, especially among Group One foundations, should be better understood.

Engagement beyond the grant: Two interviewees (from Group One and Group Two) noted that they actively engage in capacity-building for their grantees, primarily because they saw an unmet need for such efforts. Neither finding is a function of size (since Interviewee One is among the smallest of the foundations in the study). Nor is it obvious why organizations

oriented toward promoting family interests should invest funds to assist grantees they are supporting. Agency theory suggests that such efforts could be intended to minimize potential problems by not only providing content to build sufficient expertise among grantees to carry out activities of interest to the donor, but also communicating the foundation's expectations of how the grantees should perform. Further study of why family purpose-oriented (and balanced purpose) foundations engage in capacity-building would be useful for both grantors and grantees.

Informal mission statements: As noted above, informal mission statements may play a key role in guiding board decision-making in the absence of (or in addition to) formal mission statements. While this study did not investigate whether informal mission statements were important (or even existed), at least one interviewee mentioned what amounted to such guidance. Several interviewees also noted a lack of concern in their organizations with formal mission statements, combined with clarity around what the foundation sought to accomplish. Although an informal mission statement does not constrain trustees, it does give them a mechanism through which they can assess their grant making decisions. Whether or not Group One organizations depend more on unwritten understandings among board members (compared to Group Three organizations, which would be expected to receive more specific instructions), and how well they work, would be important for learning how these grant making organizations strive to fulfill the intentions of their founders.

Conclusions

This study has demonstrated that family purposes and social impact purposes were meaningful concepts for its sample of respondents, and that the foundations in the sample differed in their ratings of each purpose. The study also found that board composition and function differed according to these ratings. Unexpectedly, the study also demonstrated that

large percentages of family members on respondents' boards was the norm across the sample and that while grantmaking was the most important function ranked by respondents, strategic planning was the second most important function, with preparation and selection of successors the third most important. This study further demonstrated that institutional theory and agency theory both offer unique insights into foundation trustee behavior and are thus complementary rather than conflicting frameworks for research into family foundation boards of directors. More specifically, agency theory is most helpful for exploring how and why family foundation boards are guided by donor intent, while institutional theory helps to explore how the foundation's trustees interact with peers, partners, and grantees.

Yet, each theory has its limitations, as also demonstrated by this study. Institutional theory may allow for individual differences, but those differences are neither explained by nor integral to it. Accordingly, it is not the best fit for research which seeks to examine differences between organizations within an organizational field. Agency theory is most helpful when no ambiguity exists with regard to who precisely is the principal and who precisely is the agent. In organizations in which the founder is not formally engaged (although he or she may still exert considerable informal influence) or in which the founder has died, then donor intent—not the current board, which itself is acting as an agent—may be the clearest proxy for the principal.

A good theory would be able to explain the role of informal networks/mentoring as well as family influences but also what leads boards to maintain or dispense with their family character over time. None of the ones included in the literature review necessarily fit this bill to the letter. However, despite (or possibly because of) the ambiguity surrounding who precisely is the principal in the context of a family foundation board, agency theory does speak most clearly to the question of what happens when rational and committed agents seek to do what someone

else wants (or wanted). To the extent that it helps family foundations to resolve that ambiguity where it exists, this study may be of value to family foundation trustees.

Yet, agency theory itself is still insufficient, in that external influences are not necessarily at the core of the theory. Moreover, prior research informed by developmental theories affirms that family foundation boards are dynamic, and change in often predictable ways over time. This research offers one explanation why family foundations may not follow those predicted patterns, but does not necessarily suggest that those predicted patterns are invalid. For example, although most of the organizations in the sample were founded within the last twenty years and thus have not involved family members later than the third generation, one (Respondent 12) has maintained a significant majority of family members on its board for four (4) generations, with active efforts to engage the fifth generation and beyond. Respondent 12 is also one of the organizations that explicitly seeks to balance family and social impact purposes in accord with donor intent regarding not only what the organization seeks to accomplish but also what the family's role should be within it.

More generally, this research has demonstrated that context is critical for any full understanding of the motivating forces behind foundation trustee action and how they view the organization they serve. At the outset of this study, I anticipated that the qualitative results would simply affirm and expand upon insights gained from the quantitative results. In fact, the qualitative results yielded the most significant insights, with the quantitative results often but not always affirming those insights. In fact, while quantitative analysis may be helpful for context (particularly for a larger sample), the qualitative results of this particular study were far more illuminating and nuanced. The interviewees in this study each had thoughtful and complex views on the work that they do and the reasons they do it. This is likely to have been at least part of the reason for the often contradictory or inconsistent quantitative results. For example,

without the interviews, the responses of Group Two would have been much more difficult (if not impossible) to interpret given their inconsistency on key questions. Moreover, the quantitative differences between organizations, even on the dimensions of most interest (the importance of family and social impact purposes), were small in absolute terms. Without the additional context provided by the interviews and case studies, determining whether those differences were actually meaningful would have been difficult indeed. Perhaps a full understanding of family foundations necessarily entails a qualitative approach. Alternatively, perhaps the questions this study sought to answer were more effectively addressed through a qualitative approach. Whichever of these assertions is more accurate, this study clearly suggests that the qualitative approach is critical to a full understanding of family foundation governance.

Of course, qualitative research on family foundation trustees' motives and their own conceptual framework for their work is only possible when trustees are willing to share what was often deeply personal information. Each of the trustees who engaged in an interview for this study was willing to take that risk, but important to remember is that despite every assurance of confidentiality, trustees agreeing to an interview were more the exception than the rule. A clear limitation of this research is that (quite understandably) not many trustees were willing to do so. In fact, further research in this area could be very difficult without the sort of relationship that takes significant time and effort (or—possibly—the endorsement of an already trusted partner) to develop.

Yet, the question remains whether and why the concepts of family and social impact purposes might actually matter to trustees. For the trustees who agreed to an interview, the framework created by the question of the relative importance of family and social impact purposes led to a different way of articulating—and indeed understanding—the mission and purpose of the organization they represented. This represents the key practical value of this

research: these questions represent a framework for surfacing unarticulated assumptions about foundation purposes that lead to differences in the way that foundation boards evolve over time. Articulating the degree to which family purposes and social impact purposes matter (and possibly have mattered) to the family foundation board may not only provide insight into the behavior and structure of earlier generations of the board, but also offer a framework for discussions on how to build the board moving forward. A clear articulation that family purposes matter may result in a very different board than an affirmation that what matters is only the impact that the foundation makes on the people and places about which it cares most.

Family foundations are unique institutions in philanthropy. This study offers one perspective on how and why family foundation trustees differ in their approaches to building the board, interacting with their environments, and engaging with partners. While the family/social impact dimension is by no means the sole explanation for why family foundation boards of directors behave as they do, it does offer insights that complement existing work around family foundations.

APPENDIX ONE.

Final Survey

Introduction: Please Read!!!

Family foundations help families to translate their deeply held values into philanthropic action. While family foundations exist to make a social impact, another important set of purposes relates to the family behind the foundation. Families may view the foundation of which they are trustees as a mechanism to transmit charitable values to the next generation, to bring family members from different geographies together, to create opportunities for family members to work together outside of a business setting, or to strengthen family ties. Each of these family purposes could be as important to the family as making a social impact.

This survey is intended to explore how family foundation trustees balance family purposes with efforts to make a social impact. The researchers are exploring how trustees from different foundations perceive the balance between these and what implications this difference has for governance, grantmaking and engagement in networks. Trustees may also find reflection on these questions useful in their own work for the foundation they serve.

Overviews of our findings (with all identifying information removed) will be made available to the Indiana Philanthropy Alliance, the Council of Michigan Foundations and the National Center for Family Philanthropy.

Some respondents to this survey will be invited to participate in a face-to-face interview with the researchers to explore in more detail some of the responses to questions in this survey.

If you have any questions or concerns, you may contact Joseph Palus at _____ or by e-mail at _____. The survey consists of 19 questions and is divided into the following sections:

- 1) Purpose and Mission Statement
- 2) Board Composition and Development
- 3) Staff, Peers and Networks
- 4) Contact Information and Follow-up

For multiple choice or rating scale questions, please mark the box(es) next to the option(s) that best reflect your response; some of these questions also invite you to elaborate on your responses with comments. For ranking questions, please enter numbers in the boxes next to your choices.

Before you proceed with this survey, please read the informed consent statement form, which is required by Indiana University. If you agree to the terms and conditions of the survey, please sign and date two copies and return one to the researcher along with your survey in the envelope provided. Please keep the other copy for your records.

THANK YOU FOR COMPLETING THIS SURVEY!!!

PART I: Purpose and Mission Statement

1) Does the foundation have a mission statement?

Yes		No	
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If no, please proceed to Question 4 on the next page.

2) If the foundation does have a mission statement, who developed the mission statement (Please check all that apply)?

	The Founding Donor.
	The Family.
	The Board of Trustees.
	Other (Please specify):
	Not Applicable.

3) Has the mission statement changed at all since the foundation's inception?

Yes		No	
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If the answer is yes, please explain why it has changed:

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4) Scholars and practitioners suggest that family foundations exist to make a social impact and to promote family unity. On the two charts below, please rate the importance of family purposes and social impact to the current trustees by marking the appropriate box.

Not Important ←———— Family Purposes —————→ Very Important									
1	2	3	4	5	6	7	8	9	10
Not Important ←———— Social Impact —————→ Very Important									
1	2	3	4	5	6	7	8	9	10

- 5) Please rank below at least three of the FAMILY factors that were generally important to the founding donor(s) in determining the structure and purpose of the foundation. The most important item should be ranked 1, the second most important 2, and so on. Please feel free to rank as many as you wish.

	Creating a structure for the family's giving.
	Involving a broader range of family members in the family's charitable giving.
	Promoting family unity.
	The example set by relatives or others close to the donor(s).
	Problems of importance to the donor and/or the donor(s)' family.
	Transmitting charitable values to the next generation.
	OTHER (Please list below):

- 6) Please rank below at least three of the NON-FAMILY factors that were generally important to the founding donor(s) in determining the structure and purpose of the foundation. The most important item should be ranked 1, the second most important 2, and so on. Please feel free to rank as many as you wish.

	Desire to support particular causes important to the founding donor(s).
	Desire of the founding donor(s) to reduce tax liability.
	Events that affected populations important to the donor(s).
	The creation of family foundations by peers or role models of the donor(s).
	Changes in public policy.
	Changes in tax law or other regulation.
	The founding donor(s)' awareness of important social problems
	Other (Please list below)

- 7) Did the founding donor(s) include any provision to dissolve the organization (Please check all that apply)?

	At a specific point in time.
	When certain conditions are fulfilled.
	Other.
	No.
	If you checked any box but no, please elaborate below:

PART II: Board Composition and Development

- 8) Do the foundation's bylaws include any of the following requirements for involvement of descendants of the donor(s)? Please check all that apply:

	The Chair of the board must be a descendant of the donor(s).
	One or more descendants of the donor(s) must serve on the board.
	A majority of the board must be descendants of the donor(s).
	The Chairs of key committees (e.g. Executive Committee) must be descendants of the donor(s).
	Spouses of descendants of the donor are considered descendants of the donor for purposes of membership requirements.
	Other (Please list below):
	None of the above.

- 9) Do the foundation's bylaws include any requirements that non-family members serve on the board?

Yes		No	
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If the answer is yes, please explain:

10) From what generation are the current family trustees?

	First generation—same family generation as the founding donor(s).
	Second generation—children of the founding donor(s)
	Third generation or later
	Other (Please explain below):

11) If the board provides orientation to new members, which if any of the following topics are covered? Please check any items that are included, or check “Not Applicable” if the board does not provide orientation.

Item/Issue

	Family history.
	Grantmaking strategy.
	The giving priorities of the founding donor(s).
	Foundation grantmaking priorities.
	Mission and purpose of the foundation.
	Grant review process and procedures.
	Ethics of grantmaking.
	How to work together as trustees.
	Other (Please Describe):
	Not Applicable. The board offers no orientation for new members.

12) Using a scale of High, Medium, or Low, please rate the following activities according to the amount of attention the board devotes to them each year (please check the appropriate box for each activity):

	Amount of Attention			Not Applicable
Grantmaking: Reviewing and approving grants.	Low	Medium	High	
Board Development/Training: Sharing best practices with other members of the board.	Low	Medium	High	
Strategic Planning: Assesses and evaluates the foundation's grantmaking strategy.	Low	Medium	High	
Nominations: Identifying and recommending new candidates to the board.	Low	Medium	High	
Emerging Practitioners: Creating opportunities for new/prospective members to learn about grantmaking.	Low	Medium	High	
Other (Please elaborate below):	Low	Medium	High	

PART III: STAFF, PEERS AND NETWORKS

13) Does the foundation employ any staff?

Yes		No	
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14) What percentage of staff members are also family members?

Percentage		Not Applicable	
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15) Does the foundation participate in any of the following? Please check all that apply:

	<i>The National Center for Family Philanthropy</i>
	<i>The Council on Foundations</i>
	<i>The Philanthropy Roundtable</i>
	<i>Grantmakers for Effective Organizations (GEO)</i>
	<i>Exponent Philanthropy (formerly Association of Small Foundations)</i>
	One or more regional association(s) of grantmakers, such as the <i>Indiana Philanthropy Alliance</i> or the <i>Council of Michigan Foundations</i>
	One or more organization(s) devoted to a specific grantmaking priority or program area, such as <i>Grantmakers for Education</i> , <i>Grantmakers for Children, Youth and Families</i> , or <i>Environmental Grantmakers Association</i>
	Other (Please list here):

16) Please name up to five foundations that you regard as peers because they are similar in terms of what is most important to your trustees. Please also note why you regard them as peers:

Name	Why you regard them as peers

17) How important is it to the trustees whether other foundations financially support efforts for which the foundation has provided a grant? Please select an appropriate option below:

Very important	Important	Not very important	Not at all important
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PART IV: CONTACT INFORMATION AND FOLLOW-UP

18) What is the name of the foundation on behalf of which you are completing this survey?

While the answer to this question is optional, of course, your response will help the researchers greatly. Remember that all surveys are confidential.

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19) As noted in the introduction, the researchers plan to interview several survey respondents to explore their answers in more detail. If you would be willing to be interviewed, please note your contact information below:

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THANK YOU!!!!

APPENDIX TWO.

Final Interview Questions

Introduction and Informed Consent

I would like to record the interview, to ensure that I accurately represent what was said; the recording will not be reviewed by any third party except as set forth in the Informed Consent Statement. If you object to being recorded, I will rely on my written notes from this interview. Are you willing to allow the interview to be recorded?

[NB: The interview will not be recorded unless and until the interviewee indicates his or her consent to be recorded. Accordingly, this portion of the interview will not be recorded; instead, the interviewee will be asked to complete a signed Informed Consent Statement following the conclusion of my introduction. Recording will start here, if the interviewee has given consent. I will make a copy of the interviewee's survey available to the interviewee, in case he or she needs a reminder of the responses provided.]

Thank you for agreeing to meet with me today to discuss the purposes and function of the family foundation of which you are a trustee. Our interview will be structured around a series of questions that I am asking every interviewee, but your responses may lead to follow-up questions unique to your interview. As I noted earlier, you should feel free to refuse to answer any question I ask if it makes you uncomfortable.

Interview Questions

- 1) Please talk about the most important purposes of the foundation, from your perspective []. Can you talk about why these are most important from your perspective? How did they become the most important purposes of the foundation? Has the relative importance of those purposes changed at all over time? If so, could you discuss why?
- 2) You also noted that the foundation's mission statement [has/has not] changed since its inception. [How did the foundation approach the change to its mission statement?] or [Have you considered making changes to the mission statement? If so, why did the board ultimately decide not to do so? If not, could you speak briefly as to why not?]
- 3) In your survey, you identified the following as the five most critical external factors in determining the structure and function of the foundation when it was created [List from survey question]. Could you discuss why those factors were particularly critical? How important would you say those factors are today?
- 4) In your survey, you identified the following as the five most critical factors internal to the family or family business in determining the structure and function of the foundation when it was created [List from survey question]. Could you discuss why those factors were particularly critical? How important would you say those factors are today?
- 5) Could you discuss the most critical motivating factors in determining the structure and purpose of the foundation? Could you discuss why those factors were particularly critical? How important would you say those factors are today?
- 6) In your survey, you identified [list from survey questions] as the organizations most similar to your own. Could you elaborate on the reasons you consider those organizations similar to your own?

- 7) You also identified [list from survey questions] as the organizations that have made the greatest accomplishments in the area in which the foundation you represent focuses its grantmaking. Could you elaborate on the reasons that you listed those particular organizations?
- 8) You identified [list from survey questions] as the organizations with which you most often collaborate. Please talk about why those organizations in particular are your most common collaborators.
- 9) You answered several questions about the board's structure and function. Could I ask you to elaborate on how the board's current structure and function came about? How has it changed (if at all) since the foundation was established, or since your involvement with the board began?
- 10) You indicated that the board included the following committees [response from survey questions]. Can you talk about why the board convened these particular committees? Did the board ever have other committees that no longer meet? If so, could you talk about why they no longer meet?
- 11) Could I ask you to elaborate on how the board's current composition came about? Has it changed extensively since the board was established? What are your thoughts regarding why the board has or hasn't changed?
- 12) You indicated that the board employs staff. Can you discuss the role of staff? The qualifications of current staff in terms of years of experience and education? What benefits (if any) does the foundation derive from staff participation in associations of professional grantmakers?
- 13) Under what conditions, if any, does [or would] the board review and affirm its priorities?
- 14) To what degree is the grantmaking strategy of the foundation clear to you? What aspects of the foundation's strategy make it clear/unclear to you? How if at all could the foundation's strategy be clearer?
- 15) Would you like to discuss any other aspect of the survey that we have not yet discussed?
- 16) In conducting my due diligence on individual foundations, I have reviewed publicly available sources of data such as IRS Form 990-PF (Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation), and Annual Reports made available through your website. As a final phase of this research, I would like to review archival information from up to five individual foundations, including meeting minutes, founder communications, and documents relating to any changes or proposed changes to the foundation's mission, board membership, or committee function. Would you be willing to permit such a review for the foundation you represent, or recommend such a review to the board or staff?

17) Do you have any questions or concerns regarding the survey, the interview, or the study itself?

Thank you for participating in this interview. Again, I would remind you that you may request that your interview be excluded from the study at any time prior to finalization of the research results. If you do so request, all records from your interview will be destroyed except for your name and contact information (so that I do not contact you again for an interview).

APPENDIX THREE.

Study Announcement Text

Family Foundation Purposes, Structure and Function

Family foundations help families to translate their deeply held values into philanthropic action. While family foundations exist to make a social impact, another important set of purposes relates to the family behind the foundation. Families may view the foundation of which they are trustees as a mechanism to transmit charitable values to the next generation, to bring family members from different geographies together, to create opportunities for family members to work together outside of a business setting, or to strengthen family ties. Each of these family purposes could be as important to the family as making a social impact.

Researchers at the Indiana University Lilly Family School of Philanthropy are currently conducting research on family foundation purposes, structure and function. The purpose of their study is to explore the dual purposes of family foundations—fulfilling a philanthropic mission and fulfilling family goals, such as passing along family values or creating opportunities for families to work together to put those values into action. If you are a family foundation board member, please consider completing the survey to help us gain a better understanding of family foundation purposes. All surveys will be confidential. Although the researchers will request contact information if you are interested in participating in an interview, you may choose not to provide any identifying information if you wish. Any identifying information will be destroyed at the conclusion of the study. You may complete the survey online at the following link:

[LINK]

You may also complete the survey by phone, internet chat, or in paper form; if you would like to complete the survey by any of these means, please forward an e-mail to Joseph Palus, a doctoral candidate in Philanthropic Studies at Indiana University who is participating in conducting the research, at [E-MAIL]. The survey should take no more than ten (10) to fifteen (15) minutes to complete. If you have any questions or concerns prior to, during, or after completing the survey, please contact Joseph Palus at [E-MAIL] or [PHONE].

This survey is intended to explore how family foundation trustees balance family purposes with efforts to make a social impact. The researchers are exploring how trustees from different foundations perceive the balance between these and what implications this difference has for governance, grantmaking and engagement in networks. Trustees may also find reflection on these questions useful in their own work for the foundation they serve.

Overviews of our findings (with all identifying information removed) will be made available to the Indiana Philanthropy Alliance, the Council of Michigan Foundations and the National Center for Family Philanthropy.

APPENDIX FOUR.

E-mail from Regional Association of Grantmakers Representative to Members

Good morning!

I am contacting you as the result of [RAG 1]'s conversation over the past several months with Joe Palus, a PhD student in Philanthropic Studies, The Center on Philanthropy at Indiana University. Joe's academic advisor is Dr. Les Lenkowsky, someone who [RAG 1/RAG 2] has had the privilege of working with over the years. Joe, as part of his course work, has been working on a dissertation involving the purposes that family foundation trustees perceive as most important for the organizations they govern. As part of his dissertation, Joe is conducting a confidential survey of private, family foundations that will take approximately 10-15 minutes to complete. The link to the survey may be found on [RAG]'s website: [LINK]

In addition to [RAG 1] private, family foundation members, Joe is also reaching out to private, family foundation members of [RAG 2], [Association 1] and [Association 2].

This survey is intended to explore how family foundation trustees balance family purposes with efforts to make a social impact. The researchers are exploring how trustees from different foundations perceive the balance between these and what implications this difference has for governance, grantmaking and engagement in networks. Trustees may also find reflection on these questions useful in their own work for the foundation they serve.

Overviews of their findings (with all identifying information removed) will be made available to the [RAG 1], [RAG 2], [Association 1] and [Association 2]. In the near future, you will also be receiving an email from Joe requesting your participation in the confidential survey and if you have any questions, to contact him directly with his contact information. In our continued effort to help promote philanthropy in Indiana, we are happy to help Joe in this effort. On behalf of [RAG 1] and Joe, again I thank you for your consideration in advance.

APPENDIX FIVE.

Select Additional Tables

Table 26. Board composition by respondent sorted by difference between purposes

Code	Family	Impact	Difference	% identifiable as Family (incl. spouses)	Non-Family	% not identifiable
Survey 49	9	7	-2	64%	9%	27%
Survey 36	10	8	-2	100%	0%	0%
Survey 28	8	7	-1	75%	25%	0%
Survey 52	9	9	0	80%	20%	0%
Survey 46-48,64	8.25	9.5	1.25	100%	0%	0%
Survey 42, 45	8.5	10	1.5	100%	0%	0%
Survey 35	8	10	2	0%	100%	0%
Survey 37	8	10	2	67%	33%	0%
Survey 58	8	10	2	100%	0%	0%
Survey 60	8	10	2	50%	50%	0%
Survey 51	7	9	2	94%	6%	0%
Survey 41	8	10	2	83%	9%	7%
Survey 25	7	10	3	100%	0%	0%
Survey 53	5	10	5	75%	25%	0%
Survey 61	2	8	6	100%	0%	0%
Survey 55	2	10	8	13%	87%	0%
Survey 26	1	10	9	25%	75%	0%
Survey 27	0	10	10	67%	33%	0%
Survey 30	0	10	10	100%	0%	0%

Table 27. Means within sample and peer groups for types of identifiable non-family representatives

Group	% Identifiable as trusted advisor	% identifiable as professional	% identifiable as community leaders	Total Non-Family	% not identifiable
Sample Group One	4.17%	3.33%	1.52%	9.02%	4.55%
Peer Group One	40.48%	0.00%	0.00%	40.48%	2.86%
Sample Group Two	22.22%	9.31%	1.48%	33.02%	1.11%
Peer Group Two	12.16%	20.75%	6.10%	39.02%	7.47%
Sample Group Three	14.64%	7.38%	9.40%	31.43%	0.00%
Peer Group Three	12.67%	8.96%	10.57%	32.19%	5.72%
Mean Overall	17.72%	8.29%	4.85%	30.86%	3.62%
Mean for Sample	13.73%	6.71%	4.41%	26.74%	1.79%
Mean for Peers	21.77%	9.90%	5.56%	37.23%	5.35%

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